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# ***Daily Report***

# **China**

FBIS-CHI-90-211  
Wednesday  
31 October 1990

# Daily Report

## China

FBIS-CHI-90-211

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31 October 1990

**NOTICE TO READERS:** An \* indicates material not previously disseminated in electronic form.

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## General

### Editorial Criticizes U.S. Attitude Toward Israel

HK3110062690 Hong Kong WEN WEI PO in Chinese  
31 Oct 90 p 2

[Editorial: "Conniving at Israel, the United States Has Gotten What It Deserves"]

[Text] The Temple Mount bloodshed in Jerusalem early this month reminds the world once again: The crisis in the Middle East involves not only the Iraqi invasion of Kuwait but also the conflict between Israel and the Arabs.

A final conclusion was reached long ago on the rights and wrongs of Israel's occupation of the West Bank of the Jordan River, the Gaza Strip, the Old City of Jerusalem, and the Golan Heights. The United Nations has also passed resolutions on this issue. Despite international laws and the United Nations, however, Israel has always persisted in its old ways and done whatever it likes.

Even though it is a small nation, Israel dares to go so far as to confront the whole Arab world over a long period of time. The biggest external factor for this is the support of the United States. It is, of course, to fulfill its global strategies that the United States renders such support. With Israel as a bridgehead, the United States will feel it more convenient to safeguard its interests in the Middle and Near East regions. Therefore, in addition to sending such aid to Israel as money, arms and ammunition, and manpower; the United States has exercised its UN veto many times to suppress the just demand of other countries and boost the arrogance of Israel.

In the past, as a result of internal differences in the Arab world, the United States, though repeatedly criticized, could succeed in supporting Israel. Now that Iraq has invaded Kuwait and is calling on Arab countries to unite and strike back with aggression, the United States can no longer maintain a hostile attitude to the whole Arab world if it wants to ensure its control over the oil-producing region of the Middle East and the Mediterranean Sea—the Persian Gulf region.

This new setup, expedited by the Middle East crisis, forces the United States to vote in favor of a UN Security Council resolution to condemn Israel. By doing so the United States has got what it deserves for its persistence in its "double standard." Invasion really means invasion, and slaughter of civilians really means slaughter of civilians. No matter who—Iraqi troops or Israeli troops—invades another country or slaughters civilians, they should be condemned and punished. No double standard is allowed to exist in the standard of international relations and in people's efforts to defend justice.

The Temple Mount bloodshed committed by Israel is an inevitable result of Israel's long-term invasion policy and hostility toward the Palestinian nation. The UN resolution passed this time not only condemns the slaughter of civilians committed by Israeli troops, but also decides to

send a fact-finding mission to Jerusalem for an on-the-spot investigation. Yet, Israel risks universal condemnation by rejecting the UN resolution and forbidding the UN fact-finding mission to enter the country. This move of Israel, which is well within people's expectations, can only serve to make Israel more isolated in the international society, and put the United States in a dilemma: Why is the United States as fierce as a bull toward Iraq but as silent as a cicada in cold weather toward Israel in coping with the countries' rejection of UN resolutions? The reason for this is very clear to the world.

The Israeli authorities should be aware that their rigid policy cannot possibly be carried on forever, and disputes can only be resolved through peaceful negotiations rather than resorting to violence. Israel's incorrect policy forces its people to live in the shadow of war. With war clouds gathering over the Gulf, Israel will only find itself in a more precarious situation if it turns a deaf ear to the voice of international society. Though they cannot be resolved at the same time, the Iraqi invasion of Kuwait and the Israeli occupation of Arab countries' land cannot be viewed separately. What Israel has done provides an opportunity for Saddam Husayn, who, enjoying some appeal among the vast numbers of Muslims, calls for the recapture of the Arab area in Jerusalem occupied by Israel by launching an Islamic holy war. Saddam also threatens that if Iraq is attacked by American troops, he will seek revenge by "destroying Israel." Observing what Saddam has done since he rose to power this cannot be treated as a mere threat.

Once war breaks out in the Persian Gulf, Israel will be drawn in, whether or not it is willing; and the outcome of a tangled war is hardly predictable. Provided Iraq is defeated in the war, or the crisis is resolved through peaceful means, the conflict between Israel and the Arabs would still remain a time bomb. Moreover, with the target of Iraq gone, once again Israel will inevitably become the only target of the whole Arab world. Some allies of the United States, such as Britain and France, who have already disapproved of what Israel has done, will impose more pressure on Israel after the crisis, demanding it attend the International Peace Conference on the Middle East to seek resolution to the conflict between Israel and Iraq. The positions of China and the Soviet Union, the other two permanent members of the UN Security Council have always been clear. Therefore, from a long-term point of view, Israel should strike out on a new path; even the United States cannot act as its protector forever. It is impossible not to be punished for despising international laws and the international society.

### UN Delegate Discusses Palestinian Refugees

OW3010202290 Beijing XINHUA in English  
1932 GMT 30 Oct 90

[Text] United Nations, October 30 (XINHUA)—Chinese delegate Wan Jingzhang to the U.N. today

called for an early, fair and reasonable political settlement of the Palestinian question.

Speaking of the question on Palestinian refugees at the U.N. Special Political Committee, the Chinese delegate said that for more than forty years, the Palestinian question has remained a grave concern to the world community.

The Palestinian refugees are faced with an ever-worsening situation and the Middle East has been beset with instability for a long time, he added.

"The crux of all this is Israel's military occupation of the Palestinian and other Arab territories and its deprivation of the national rights of the Palestinian people."

He pointed out that the Middle East remains the most turbulent and unstable region, constituting a direct threat to world peace, which once again makes people keenly aware of the urgency for a settlement of this question.

He reiterated that China stands for a political settlement of the Middle East question, and holds that Israel should withdraw from all Arab territories under its occupation, the state of Palestine and the State of Israel mutually recognize, and the Arab and Jewish peoples coexist harmoniously.

He also expressed China's support for the convocation of an international conference on the Middle East question sponsored by the United Nations.

### UN Delegate Stresses Right To Development

OW3110022990 Beijing XINHUA in English  
0035 GMT 31 Oct 90

[Text] United Nations, October 30 (XINHUA)—China stressed today that the right to development is both an individual and collective inalienable human right.

Speaking at the Third Committee (social, humanitarian and cultural) of the U.N. General Assembly, Chinese delegate Cui Jingrui said the concept of the right to development was advanced at a time when the developing countries, after breaking away from long external enslavement and oppression and winning national self-determination and independence, wanted to defend national independence and develop national economy.

"The right to development has enriched the concept of human rights and gives expression to the new understandings and demands under the new historical conditions on the part of the international community with regard to human rights question," he said.

According to the "Declaration on the Right to Development" adopted by the 41st U.N. General Assembly session, the right to development is an inalienable human right, by virtue of which every human person and all peoples are entitled to participate in, contribute to

and enjoy economic, social, cultural and political development. It also implies the full realization of the right of peoples to self-determination, which includes the exercise of their inalienable right to full sovereignty over all their natural wealth and resources.

The Chinese delegate said that to realize the right to development, it is imperative for all governments to prepare practical development strategies and related policies in light of their own specific situations in an effort to promote their national socio-economic development and ensure the realization of civil, political, socio-economic and cultural rights.

"This requires the creation of a sound international environment in which, politically the existence and influence of racism, colonialism and hegemonism are completely eliminated, foreign aggression and violations of the right to self-determination eradicated, and international peace and security maintained," he stressed.

He also said, "In economic areas, all countries, the developed countries in particular, need to adopt effective policies and measures in an effort to redress the inequality and imbalances existing in the world economic structure and improve the international economic environment."

The common task facing the international community is to effectively implement the principles and goals contained in the said declaration at an early date, he said.

He declared that China has always attached importance to the question of the right to development and has actively participated in various activities concerning the right to development and wishes to see tangible results to be achieved in this field through the joint efforts of the international community.

### Asia-Pacific Conference for Disabled Continues

OW3010121190 Beijing XINHUA in English  
1123 GMT 30 Oct 90

[Text] Beijing, October 30 (XINHUA)—China has set up a comprehensive immunization network, and as a result, the incidence of infectious diseases and the deaths associated with them have dropped drastically.

The information comes from the on-going Ninth Asia and Pacific Regional Conference of Rehabilitation International in Beijing, which has been attended by more than 1,000 delegates from 51 countries and regions.

Wang Zhao, an official from China's Ministry of Public Health, said at the conference that in 1988, there were 94 percent fewer cases of poliomyelitis, diphtheria, pertussis and measles than in 1978, and the death rate associated with these diseases dropped 96.15 percent during the same period.

At present, China has 3,512 sanitation and antiepidemic stations, employing 167,000 technicians, and 47,000 rural clinics, run by 1.28 million rural doctors.



Wang recalled that in the early 1950s, the Chinese Government issued a regulation on vaccination. The regulation, which helped wipe out smallpox, also contributed to the invention of vaccines for polio and measles.

In 1985, China announced that it would complete the immunization of 85 percent of its children at the provincial level by the end of 1988, and those at the county level by 1990.

According to Wang, the Ministry of Public Health, UNICEF and the World Health Organization made a joint examination early last year of China's immunization project. They reported that the project had been successful.

The official claimed that China has taken a number of measures in the past few years in support of this project, including establishing immunization organizations, guaranteeing the supply of vaccines, training technicians and strengthening international cooperation.

It is discovered that by the end of 1989, UNICEF had supplied China with 20 million U.S. dollars for the storage, transportation, and distribution of vaccines. Central and local Chinese governments have also invested 600 million yuan to supply storage facilities in more than 2,600 of its counties, providing nearly 1.3 billion people with access to vaccines.

The World Health Organization has also provided aid in the form of technological consultation, information exchange, staff training and vaccine storage facilities.

#### End of Conference Noted

OW3010191290 Beijing XINHUA in English  
1536 GMT 30 Oct 90

[Text] Beijing, October 30 (XINHUA)—The Ninth Asia-Pacific Regional Conference of Rehabilitation International (RI) ended this afternoon in Beijing.

During the five-day meeting, more than 1,000 delegates from 51 countries and regions voiced their opinions on such topics as legislation concerning people with disabilities, prevention of disabilities, employment, the mass media, barrier-free architecture, the family and recreational life.

XINHUA has learned that the Executive Committee of Rehabilitation International has decided to admit the Soviet Union and three regional rehabilitation organizations as members. This will bring its total membership to 84 states and organizations.

During the meeting, some developing countries expressed their hope that China will send medical teams to their countries to help them speed up rehabilitation work for the disabled.

Fenmore R. Seton, president of the RI, in his closing remarks said that "what has been accomplished in China

since 1983 in the field of rehabilitation is recognized internationally as being nothing short of remarkable."

Deng Pufang, president of China's Federation for Disabled Persons, read a congratulatory letter from China's Vice-President Wang Zhen, which said "the conference will play a significant role in promoting the development of the work for people with disabilities in the Asia-Pacific region and in the world."

In his letter Wang said that "China will continue to strengthen the leadership and co-ordination role of the government in working for disabled people."

The next Asia-Pacific regional conference will be held in Indonesia in 1994.

#### Success of Project Orbis Training Programs Noted

OW2710191190 Beijing XINHUA in English  
1554 GMT 27 Oct 90

[Text] Hong Kong, October 27 (XINHUA)—Four training programs have been successfully completed in China this year by Project Orbis, the world's only flying eye hospital, an Orbis official said here today.

Speaking at a press conference here today, Geoffrey Holland, director of public affairs of Project Orbis, said a program for nurses was conducted in Chengdu, southwest China's Sichuan Province, by the Orbis Nursing Education Department. About 200 Chinese nurses participated in the courses and workshops covering many important aspects of the prevention of blindness.

In Beijing, he noted 30 doctors were involved in a pediatric program focusing on the needs of children.

A program of the same theme was conducted at the Shanxi Eye Hospital in Taiyuan. About 700 eye doctors throughout the country participated in it.

Another program was a retina-vitreous one in Beijing involving lectures and surgeries.

Holland, who returned to Hong Kong from Beijing on October 26, said China is the largest nation in the world and Orbis is grateful to have been allowed to spend more time in China and to work there with more doctors, nurses, and technicians, than in any other country.

He said there is also one further Orbis program that began in March of this year and will last a full year until March of 1991.

It is a training program for rural health care workers and is focused on the eye care of leprosy patients.

On future plans by Orbis in China, Holland said Orbis will send three experts teams respectively to Beijing, Taiyuan Cities and Hunan Province next March.

Meanwhile, plans are already underway for the Orbis aircraft to return again to China towards the end of next year.

At the press conference, Holland especially mentioned Mr Ho Ying-chie in Hong Kong has promised the sum of 10 million U.S. dollars towards the cost of a larger, replacement aircraft for Orbis, a DC-10.

Orbis has still to find the remaining two thirds of the money needed for this new aircraft, he added.

Project Orbis was born in the United States in 1982, but has now developed into a worldwide network involving thousands of people who share one vision: to eliminate avoidable and curable blindness in the world, Holland said.

#### **International Students Gathering Opens in Nanjing**

*OW3010100090 Beijing XINHUA in English  
0832 GMT 30 Oct 90*

[Text] Nanjing, October 30 (XINHUA)—A six-day meeting of university students from China and foreign students who are studying in China opened yesterday evening in Nanjing, capital of Jiangsu Province.

Nearly 500 students from more than 30 countries and regions who are studying in universities and colleges in Jiangsu are attending the gathering. Officials from the Chinese Ministry of Foreign Affairs, the State Education Commission and the Jiangsu provincial government were present at the opening ceremony.

Activities at the gathering will include a cultural evening, ball games, and visits to army units and factories.

Since 1975 a total of 12 universities and colleges in Jiangsu have enrolled 3,000 foreign students and another 5,000 foreign students have studied in various training classes. They have studied 30 specialties including literature, engineering, agriculture, medicine and arts.

The foreign students in Jiangsu often take part in various cultural and sporting activities organized by universities, such as folk singing, martial arts, Chinese calligraphy and composition writing in Chinese.

During the gathering exhibitions illustrating foreign students' studies and life in China will be displayed. Also, some embassies in Beijing have provided photos and other materials on their own countries' histories and ways of life for the gathering.

#### **International Biology Seminar Ends in Kunming**

*OW2910075490 Beijing XINHUA in English  
0704 GMT 29 Oct 90*

[Text] Kunming, October 29 (XINHUA)—An international biology seminar ended on Friday in the capital city of southwest China's Yunnan Province.

The experts that attended the seminar called on all countries to put an end to short-sighted and irresponsible use of natural resources, stressing that they must be used wisely and replenished, where possible, to guarantee supplies for future development.

More than 240 experts and scholars from 31 countries gathered and submitted their essays to the seminar. In addition, over 150 of them made speeches to present their own ideas on the matter.

Apart from exchanging information about their research and achievements in biology, they set up a liaison organization and reelected the leading body.

#### **International Aeronautic Exhibition Opens**

*OW2710190190 Beijing XINHUA in English  
1534 GMT 27 Oct 90*

[Text] Beijing, October 27 (XINHUA)—Aeronautic China '90 opened here today, attracting more than 70 exhibitors from seven countries and regions.

The China International Aeronautic Equipment and Technology Exhibition focuses on the advanced airborne equipments, aeroengines and aeronautic technology, as well as aircrafts, test equipments and non-aviation products.

The exhibition, organized by the Ministry of Aerospace Industry and the Beijing Sub-Council of the China Council for the Promotion of International Trade, gives a general picture of the level and capability of the industry in China and the rest of the world and will facilitate international cooperation, exchange and trade in the field, said organizing officials.

French exhibitors occupy nearly 800 square meters of exhibition floor space and is the largest foreign exhibition group. Organized by Office General de l'Air, it includes Aerospatiale, Sagem, Microturbo, Turbomeca and Intertechnique. French Dassault, U.S. Honeywell, Rockwell-Collins Division and Textron-Lycoming, British Gec-Marconi, German MGS Carvax and the Techscien of Hong Kong are also exhibitors.

China National Airborne Equipment Corporation, China National Aero-Engine Corporation and the Chinese Aeronautics and Astronautics Establishment also displayed some of their products.

Seminars and discussions as well as trade talks will be held during the exhibition, which will end on [words indistinct] this month, organizing officials said.

Due to the success of a similar exhibition two years ago, organizers said, China will hold exhibition of this kind every two years in the future.

#### **Asian Solid Ion Workshop Opens in Beijing**

*OW3110090790 Beijing XINHUA in English  
1458 GMT 30 Oct 90*

[Text] Beijing, October 30 (XINHUA)—The second Asian workshop on solid ions opened here on Monday.

Co-sponsored by the Beijing Association of Science and Technology and the Beijing University of Science and



Technology, the workshop is aimed at promoting international co-operation and increasing exchanges in research in this field.

The workshop has drawn 120 experts from 18 countries and regions, including China, Japan, the United States, Britain, France, Denmark, Switzerland, India, Malaysia and Singapore, and received over 130 papers.

Research into solid ion is a newly-developed science focusing on solid ion transistors and their application to new fields of technology.

The workshop will close November 2.

### Chinese Scientists To Join Meteorite Search

OW2910170290 Beijing XINHUA in English  
1536 GMT 29 Oct 90

[Text] Guiyang, October 29 (XINHUA)—Chinese Scientists have worked out a five-year plan to search for meteorites and cosmic dust in the Antarctic region.

Wang Daode, a researcher at the Geochemistry Institute of the China Academy of Sciences, announced here Sunday that the China National Antarctic Research Committee has approved a comprehensive plan to be put into motion 1991 by nearly 100 scientists from different departments.

Wang said the search will start from the area near China's "Zhongshan" station. He said that the possibility of discovering new meteorites is high in the regions north of the "Zhongshan" station and south of Japan's "Showa" station.

Scientists from the world over have discovered more than 11,000 meteorite samples since an Australian expedition collected the first in Antarctica in 1912.

The ice and snow preserve the meteorites intact for much longer than in any other continent.

Wang said that Chinese scientists will co-operate with their counterparts from foreign countries by joining a research team organized by the National Institute of Polar Research of Japan next year. China will also exchange meteorite samples with the United States and other countries.

### Sichuan Hosts Symposium on History of Salt

OW2610182190 Beijing XINHUA in English  
1548 GMT 26 Oct 90

[Text] Chengdu, October 26 (XINHUA)—The first international symposium on China's salt history closed today in Zigong City, Sichuan Province.

Over 100 scholars from France, Switzerland, the Soviet Union, the United States, Japan and China attended the five-day symposium.

Participants in the symposium were told that well salt production in China dates back over 2,000 years. Zigong City, which has been known as a "salt capital" for a thousand years, produced 1.43 million tons of well salt last year—the largest production amount in China.

During the symposium, the participants visited the Museum of Salt History and the ruins of several salt mills.

Jean Hocquet, chairman of International Salt History Commission, said that the symposium has helped the international academic field better understand China's salt history and techniques.

The symposium was sponsored by 20 Chinese universities and research institutes.

### Export Commodities Fair Ends in Guangzhou

OW3010184190 Beijing XINHUA in English  
1525 GMT 30 Oct 90

[Text] Guangzhou, October 30 (XINHUA)—China's 68th export commodity fair ended here today after recording over 5.69 billion U.S. dollars in business volume. A slight increase over the last spring fair.

The fair registered a total of 42,000 participants, including 23,800 from Hong Kong, 4,030 from Taiwan, 3,251 from Japan, and 1,870 from the United States. For the first time over 140 merchants from the Soviet Union and East European countries were present at the fair.

The order volume of 16 trading sections including textiles, grain and edible oil, light industry, electronics, nonferrous metals, silk and native products, each surpassed 100 million U.S. dollars.

Hong Kong—the biggest buyer—ordered over 2.48 billion U.S. dollars worth of commodities. Total orders for Japan and the United States increased slightly over the last fair. Oil producers in Middle East and Africa nations reduced their orders by 50 percent due to the Persian Gulf crisis.

Measures were taken to ensure fixed prices for traditional commodities such as cotton yarn, ginseng, royal jelly, and for other goods including TV sets and cambric.

### United States & Canada

#### U.S. Businessman Meets Vice Premier Tian Jiyun

OW3110123390 Beijing XINHUA in English  
1149 GMT 31 Oct 90

[Text] Beijing, October 31 (XINHUA)—Chinese Vice-Premier Tian Jiyun met here today with Anthony O'Reilly, chairman of the board of directors and president of the H.J. Heinz Company of the United States, and his party.

During their friendly conversation, the host and the guests both expressed the hope that cooperation between the two sides will expand in the future.

### Meets Guangdong Governor

OW3110090390 Beijing XINHUA in English  
1554 GMT 30 Oct 90

[Text] Guangzhou, October 30 (XINHUA)—The U.S. based Heinz Group will increase its investment in China, according to Dr. O. Reilly, chairman of the board of directors and president of the company.

Dr. Reilly made these remarks in a meeting here this afternoon with Ye Xuanping, governor of Guangdong Province, south China.

Reilly said that he was satisfied with the co-operation between his company and its partners in Guangdong Province. In addition, he held discussions concerning the further investment of 42 million yuan (about 9 million U.S. dollars) to expand the joint venture his company set up in 1984.

He added that after expansion the annual output of the joint venture, which produces nutritious food for children, is expected to increase from the present 6,000 tons to 10,000 tons.

Governor Ye Xuanping expressed his appreciation for the contributions of the Heinz Group to the development and production of nutritious food for children and his hope that more achievements can be made in the research and development of more nourishing foods.

### Li Peng Meets With Engineering Firm Executives

OW3010140790 Beijing XINHUA in English  
1247 GMT 30 Oct 90

[Text] Beijing, October 30 (XINHUA)—Chinese Premier Li Peng met here today with David Tappan Jr., chairman, and Vincent Kontny, president, of the Fluor Corporation, an international engineering firm based in the United States, and their party.

Li said he was extremely delighted to meet with Tappan again.

Tappan was the first chairman of the National Council for U.S.-China Trade (now called the U.S.-China Business Council).

The premier said that in the past few years the Fluor Corporation has established co-operative projects in various fields in China, and that a number of them have achieved good results.

He assured the visitors that while China continues to carry out reform and opening to the outside world, its economic and technological co-operation with other countries will certainly be expanded further.

Li spoke highly of the positive attitude Tappan and his corporation have taken in their co-operation with China, and expressed hope for continued growth of such co-operation.

Tappan said that in the past 12 years co-operation between Fluor and China has grown steadily, and that in the past two years the corporation has set up many new construction projects in China.

He said he is optimistic about the future of such co-operation and added that Fluor Corporation is willing to play a greater role in China's four modernizations campaign.

The U.S. visitors are here as guests of the China Association for International Friendly Contacts.

### Republicans' Election Campaign Analyzed

OW3110150590 Beijing XINHUA in English  
1208 GMT 31 Oct 90

[Analysis by Wu Jin: "U.S. Republicans Face Election Woes"—XINHUA headline]

[Text] Washington, October 30 (XINHUA)—The latest ABC poll, in which President's Bush's popularity dipped by 5 percent, may mean political troubles for the Republicans in the mid-term elections slated for Nov. 6.

The Monday poll showed the American President's support rate dropped remarkably to 51 percent from 56 percent two weeks ago, and drastically from early August when the figure stood high at 78 percent.

The American mid-term elections fall between two presidential elections. They reshape the House entirely, the Senate by one third, and the governors by the same proportion.

At the moment, the Democrats show an all-round supremacy, boasting 259 seats of the total 435 in the House and 55 of 100 in the Senate. Among the 50 governors, 29 are from the Democratic Party.

Political observers here predicted a further gain of 10 to 15 seats in the House, 1 more seat in the Senate and 5 more governors for the Democrats.

All these reflect a general discontent of the Americans about the status quo.

In the United States, economic health is always an important element in any electoral race. At present, it is widely predicted that a new recession is around the corner; its impact would be profound for it would end an 8-year steady growth. The recent fluctuation in American stock markets reflects the mood.

Furthermore, the huge twin deficit woe pinched the President so much that he decided to break his election promise not to increase taxes. Recently he reached an accord with the Democrats-dominant Congress to levy more taxes and pare welfare and military spending.

Compounding the already unfavorable effect of these deficit-cutting measures, the stark bias shown by the Republicans in favor of their "rich friends" during the tax debates aggravated the dissatisfaction of many middle- and low-bracket people. All these have given the Democrats something to profit from.

Meanwhile, the tense Gulf situation constitutes another worry for the American public. At the outset, the Bush administration's strong reaction to the Iraqi invasion of Kuwait found relatively wide support both at home and abroad.

Later, with the situation coming to a deadlock and the confrontation intensified, the international community began trying to seek a peaceful solution to the crisis. The United States, however, has continued the military buildup in the Gulf region, and both government and military officials have claimed at times that they would not rule out the possibility of war. The American public's unease is thus turning into discontent.

Consequently, people in several cities have held demonstrations protesting the looming war in the Gulf; and the Congress has time and again underscored the point that the administration may not declare war without consulting them.

Now with the elections less than a week off, the President is busy travelling to help his fellow Republicans along in their Congress and governor election campaigns. Whether it will work or not is unpredictable.

If there is general dissatisfaction with the Republicans who control the White House, American newspapers indicated, it does not mean that the public favors the Democrats who are in control of the Congress. For the moment, the Democrats may make some gains in the upcoming mid-term elections, but in the long run, because they fail to come out with an actually welcomed political program and a respectable presidential candidate, they are not able to launch a powerful challenge to Bush in the 1992 presidential election.

#### **Jointly Developed Gas Turbine Ready for Sale**

HK3010050490 Beijing CHINA DAILY in English  
30 Oct 90 p 2

[By staff reporter Xie Jongjin]

[Text] A gas turbine jointly developed and manufactured by the United States and China and which is believed to be an efficient power producer for the 21st century will start market sales worldwide next year, according to Chinese sources.

The development of the FT8 industrial turbine, which is derived from Pratt & Whitney's aero-engine JT8D-219, has entered the final stage and a sample machine has been made in the U.S., said an official with the China National Aero Technology Import and Export Corporation (Catic).

The FT8 turbine uses liquid or gas fuel.

The FT8 project started in 1986 and is being carried out jointly by the China Lightweight Gas Turbine Development Centre, Chengdu Engine Company in Sichuan Province, Pratt & Whitney and Turbo Power & Marine Systems (TPM).

China will be responsible for the production of one-third of the value of the turbine, including three of the eight stages of low compressors, all burner cans and low turbines.

Sources said that apart from profits China will share with U.S. firms. Chinese plane manufacturers may be interested in the use of gas turbines.

With shrinking military orders, Chinese aircraft factories have been told to shift part of their production facilities to civilian use. They are producing such goods as buses, electric fans and refrigerators.

At present, the industry is seeking a wide range co-operation with foreign companies to produce aircraft, airborne equipment and civilian goods.

It has co-operated or is cooperating with French, U.S. and German manufacturers in the production of helicopters, avionics, plane parts and new aircraft model development.

It will soon select one foreign company to jointly design and produce a 150-seat passenger plane.

The Chengdu company has been in co-operation with the Pratt & Whitney for five years.

The US firms have already received a number of orders.

Under an agreement, Catic and China Light Weight GAS Turbine Development Centre are in charge of the FT8's market development and sales in socialist countries and the Southeast Asia, while the Chengdu Engine Company is responsible for technical consultation, installation, site testing, supplying spare parts and maintenance in these regions.

TPM is responsible for sales in other parts of the world.

A Catic official said Shenzhen, a special economic zone in South China's Guangdong Province, is the first customer for the FT8 which will be used in electricity generation. The delivery will be in June next year, the official said.

#### **Air China Accepts First Boeing 747 Freighter**

OW2610192290 Beijing XINHUA in English  
1837 GMT 26 Oct 90

[Text] New York, October 26 (XINHUA)—Air China took delivery of its first widebody freighter, a Boeing 747-200F, in Seattle Thursday, according to the Boeing Company.



Air China Vice President Yan Shi'an accepted the plane during delivery ceremonies at Boeing headquarters in Seattle.

The airline will use the world's largest commercial cargo plane to transport textiles, apparel and other goods from Beijing to Los Angeles, San Francisco, London, Paris and Hong Kong, Yan said.

Return flights will carry computers and other electronic items, he added.

The Boeing 747-200 freighter can transport up to 111,500 kilograms of cargo 6,500 kilometers, or less cargo more than 10,000 kilometers.

Nose-up entry and side cargo doors enable easy loading and unloading of pallets and containers.

In addition, the fuselage is environmentally controlled for transport of live animals, perishable foods or temperature-sensitive electronic goods.

Air China currently operates six 747 combination passenger/cargo airplanes.

It ordered Boeing aircraft worth 4.2 billion dollars earlier this year.

Boeing has been a partner with China in commercial aviation since 1972, when the Civil Aviation Administration of China ordered 10 Boeing 707s.

China has since ordered more than 100 Boeing jets, nearly two-thirds of which have been delivered.

### Northeast Asia

#### Article Analyzes Diaoyu Islands Controversy

HK3110024790 Hong Kong *SOUTH CHINA MORNING POST* in English 31 Oct 90 p 15

[By Willy Wo-lap Lam]

[Text] The Second Crusade to Protect the Diaoyu Islands, which has swept Hong Kong, Taiwan and overseas-Chinese communities in the past fortnight, could snowball into the most formidable challenge to Beijing since the pro-democracy movement last year.

The Chinese Communist Party's crisis centre, which is manned by heavyweights like Premier Li Peng, Security Chiefs Qiao Shi and Wang Fang, and Beijing Municipal Heads Li Ximing and Chen Xitong, is mapping out strategy against the possibility that students in the large cities might hold demonstrations against "Japanese imperialism".

When campus activists clamoured for a clearer government and faster reform in the spring of 1989, leaders like Deng Xiaoping and Li Peng accused them of abetting the "peaceful evolution" plot of "neo-imperialists" in the West.

Beijing, however, would be hard-put to trump up an excuse for suppression if the students were to march down the streets under the banner of "fighting Japanese imperialism".

After all, the CCP's [CPC] propaganda machinery has in recent months worked overtime to promote the very same "patriotic ideal".

Both the celebration of the 150th anniversary of the Opium War and the Asian Games were attempts to convince the populace that "only socialism can save China" and only the CCP can boost China's global prestige.

However, Beijing has been eyeing the Second Protect Diaoyutai Crusade (the first one took place in the early 70's, mainly in Hong Kong and the U.S.) with alarm because from the moment it started in early October, it was obvious that the movement is targeted at Beijing, the "victim" of territorial aggression, as much as at Tokyo, which has occupied the islands since Washington handed them back to Japan in 1971.

On the streets, of course, the slogans and the large-character posters fingered "Japanese militarists", who on October 21 used aircraft and gunboats to repel two Taiwanese vessels intent on reaching the archipelago to stake out the Chinese claim.

Underneath, however, many of the vehement sentiments were directed at Beijing, which is held responsible for letting the "Japanese neo-imperialists" get away with it.

The paradox is clear if we examine anti-foreign outbursts in recent Chinese history.

The watershed May Fourth Movement erupted apparently to protest over the humiliation China suffered at the Paris Conference of January 1919, when the victors of World War I allowed Japan to "take over" Germany's holdings in Shandong Province.

However, it quickly exploded into a movement to dismantle the warlord regime—as well as a "pro-democracy" Cultural Revolution against Confucianism and feudalism.

More recently, sporadic anti-Japanese demonstrations broke out in Beijing and Shanghai campuses in the mid-80s.

Many see them as harbingers of the great demonstrations of December 1986 and last year.

The link between fighting threats from abroad and combatting domestic tyranny cannot be simpler.

Why is China, which has one quarter of the world's population, being humiliated by old and new imperialists? Because of its weakness and poverty. And why is China weak and poor? The corruption and feudal rule of the clique in power.

Of course, the CCP, which exploited this logic to marvellous advantage in its double-edged struggle against the Japanese and the Kuomintang understands the challenge posted by the Diaoyutai movement vintage 1990.

For a variety of reasons, however, the authorities' response has only stoked the anti-Beijing flames.

As though to bait those critics who have accused it of kowtowing before the Japanese, Beijing has shied away from lodging a strong protest with Tokyo.

The Diaoyutai crisis broke out in late September when a Japanese government agency said it was prepared to recognise as an "official navigational indicator" a lighthouse which a right-wing political organisation had built on one of the islets.

It was not until last Saturday that the Vice-Foreign Minister, Mr Qi Huaiyuan, summoned Japanese Ambassador, Mr Hiroshi Hashimoto, for an "urgent" tete-a-tete.

In a mildly worded statement, Mr Qi said Beijing objected to Tokyo's "attitude of non-interference" toward the erection of a lighthouse.

He also criticised the Japanese Government for "indicating that it is prepared to recognise" the lighthouse as a navigational signpost, and for turning away the two Taiwanese vessels.

At the same time, however, Mr Qi suggested both sides shelve the sovereignty dispute and consider "jointly developing the resources in the waters around the Diaoyutai Islands, and opening the local fishing resources to the outside world".

Mr Qi's statement will go down in history as a classic piece of appeasement posing as protest.

The Vice-Foreign Minister strongly implied that Beijing would be satisfied if Tokyo were, first, to stop recognising the lighthouse as an "official navigational indicator" and, second, to stop harassing Taiwanese vessels.

He did not say what Beijing would do to demonstrate or substantiate its own sovereignty claims.

More important, if Mr Qi had been adamant about Chinese ownership of the island chain, he would not have proposed in the same meeting "shelving the sovereignty issue" and "joint development".

The same propensity toward appeasement was displayed by the Foreign Ministry spokeswoman, Ms Li Jinhua, two days earlier.

At a regular Foreign Ministry briefing, Ms Li noted that Beijing would take "necessary measures" as the situation in the archipelago developed.

In the same breath, however, Ms Li said that an important consideration of the Chinese Government was "good Sino-Japanese relations".

Why is Beijing, which did not seem to have hesitated when it went to war with the USSR and India over territorial quarrels, so quiescent over Diaoyu?

In 1972, the CCP was grateful to Tokyo for switching diplomatic recognition from Taipei and Beijing, knowing that this would open the way for Washington's abandonment of Taiwan.

That was why in 1972 and again in 1978 Beijing agreed with Tokyo to let the Diaoyu dispute be settled "by the next generation".

This is in spite of the diplomatic commonsense that the longer that the question is allowed to lapse, the more advantageous it will be for Tokyo, which by the early 70s had persuaded the international community to at least acquiesce in its claim to what is known in Japan as the Senkakus.

More or less the same reason has pre-disposed Beijing's passivity this time around. The CCP is extremely thankful that Tokyo has taken the lead among Western nations to resume ties with China to pre-June 4 levels.

Just last week Tokyo started making available a U.S.\$5.3 billion loan to the strapped Chinese coffers.

Indeed, since the massacre, Beijing's attitude toward Tokyo has been consistently accommodating.

In early summer, the Chinese Government heaped VIP treatment on philanthropist Ryoichi Sasakawa, a much-chronicled militarist during World War II.

In their meeting with Mr Sasakawa, President Yang Shangkun and other leaders addressed him as "an old friend of China".

In her talks with former Japanese vice-premier Shin Kanemaru in early September, Ms Deng Yingchao, the widow of Zhou Enlai, all but wrote off Japan's war-time aggression against China.

"Our party and government have always held that the crime was committed by a handful of Japanese militarists and the Japanese people should not be held responsible for it", she said.

Domestically, Beijing has also tried to hush up the Diaoyu issue.

Even as the Standing Committee of the National People's Congress is deliberating in its current session a new law to boost the legislature's "supervisory powers" over the executive branch, the CCP has ordered the NPC to keep Diaoyu from its agenda.

Last Thursday, the Standing Committee ignored the petition by 14 Hong Kong-based delegates that the NPC debate Diaoyu and demand relevant ministries to take action to reclaim sovereignty.

Taiwan-born deputy Huang Shunxing walked out in disgust when told by NPC chairman Mr Wan Li that,

since the Foreign ministry had already taken up the case, it would be superfluous for the NPC to meddle in the affair.

And, of course, Beijing has imposed a news blackout on anti-Japanese protest movements in Hong Kong, Macao, Taiwan, and North America.

Through reports in the VOA, the BBC and other non-official channels, however, many students in Beijing and Shanghai must have been bitten by the "protect-Diaoyu" bug.

Since the Tiananmen Square crackdown, the remnants of the pro-democracy demonstrators have been waiting for the right pretext to unleash the next round of protests: the death of Deng Xiaoping.

The Second Crusade to Protect Diaoyu offers as good an excuse. And in spite of the heavy secret-police presence on most campuses, there might be enough dare-to-die activists who will grasp the opportunity to start a new democracy movement.

#### History of Dispute Cited

*OW3010203890 Beijing in English to Western North America 0500 GMT 30 Oct 90*

[From the "Current Affairs" program]

[Text] The Diaoyu Islands are at the center of a territorial dispute between China and Japan. And, the history of the area provides the basis for China's concern. Radio Beijing's (Xia Jixian) has this explanation of the islands' history as a part of China and the modern prospects for a settlement:

[Begin (Xia Jixian) recording] The Diaoyu Islands are located about 200 km northeast of Taiwan's Jilong Port. The island group made the news this month when rightwing Japanese groups authorized a ship to expel Taiwanese fishing boats from the area. The Japanese hope to install navigational lights on the island. But the Diaoyu group has been recognized as part of China since the Ming Dynasty, which began in the 14th century, according to historian (Chang Zhen). (Chang) works in the history department of Beijing University.

[Begin (Chang Zhen) recording in Mandarin, fading into English translation] There are clear records that Chinese fishermen were living on fishing on the Diaoyu Islands during the Ming Dynasty. The islands were listed as an administrative region by China's Qing Dynasty court, which first established power in the 17th century. Sovereignty over the Diaoyu Islands did not become an issue until the Second World War. [end recording]

(Chang Zhen) says: The commander of the U.S. forces in the Pacific Douglas MacArthur included the Diaoyu Islands as a part of the strategic Pacific war zone. MacArthur did this to counter the Soviet hope to occupy Manchuria and the Shandong peninsula, which Japan controlled at that time.

The U.S. forfeited all control over the Pacific war zone to Japan in 1971. The Diaoyu Islands were granted to Japan as a part of the package even though the U.S. did not have the right to do this. The current dispute over the Diaoyu Islands is salt in the historical wound of the Chinese people. This is the opinion of (Lo Weilong), who directs the Japanese Research Institute under the Chinese Academy of Social Sciences.

[Begin (Lo Weilong) recording in Mandarin, fading into English translation] Japanese troops caused numerous sufferings to the Chinese people during the 160 years of war beginning in 1782. He predicts a disastrous outcome if Japan does not settle the issue properly. China agreed in the 1970's to set aside the issue of sovereignty over the Diaoyu Islands. This was done as a gesture of cooperation, and China has never relinquished its claim to the islands. [end recording]

(Lo Weilong) says: Cooperation must be maintained to settle the dispute which now exists. He believes mutual respect of territorial integrity is the major premises for a fair settlement of the issue. If an agreement cannot be reached for the time being, the two countries should find other ways to work together. For example, the two countries can make joint efforts to use the natural resources around the Diaoyu Islands. (Lo Weilong's) strongest advice is for Japan to avoid any unilateral action. [End (Xia Jixian) recording]

#### Jiang Zemin Accepts Protest Petition

*HK3110020990 Hong Kong HONGKONG STANDARD in English 31 Oct 90 p 10*

[By Fan Cheuk-wan]

[Text] Chinese Communist Party General Secretary Jiang Zemin has acknowledged a petition from two veteran Hong Kong members of the Chinese People's Political Consultative Conference (CPPCC) over the recent Diaoyutai Islands dispute.

The petition, delivered to Mr Jiang last Wednesday, was signed by Tsui Sze-man and Lee Tze-chung, both veterans of China's highest advisory body.

Their direct appeal to Mr Jiang followed a joint petition by 14 Hong Kong deputies to the National People's Congress (NPC) last Tuesday urging the NPC Standing Committee to discuss the sovereignty dispute and calling on the State Council and Foreign Ministry to take measures to defend Chinese sovereignty of the islands.

Mr Tsui, publisher of the pro-Beijing MIRROR magazine, yesterday told the HONGKONG STANDARD he and Mr Lee wrote to Mr Jiang asking him and the Chinese government to act decisively to safeguard the islands.

Mr Lee, former director of the pro-Beijing WEN WEI PO and a member of the CPPCC Standing Committee, delivered a speech at the anti-Japanese mass rally held in Victoria Park on Sunday.



Mr Tsui said yesterday he had an hour-long discussion with Zhou Nan, director of the Hong Kong branch of the XINHUA NEWS AGENCY, last Wednesday to discuss the sovereignty dispute.

"Mr Zhou fully understands my viewpoint and sentiments," Mr Tsui said.

"Mr Zhou immediately transferred our letter to Mr Jiang in Beijing on the same day," he said.

"On Saturday, Mr Jiang gave us an official response through the Hong Kong XINHUA saying that he had acknowledged our patriotic sentiment and viewpoints, and that he had shown concern towards our opinions."

However, Mr Tsui said Mr Jiang did not elaborate what measures the Chinese government would take.

In the petition, Mr Tsui and Mr Lee said the mainland and Taiwan should put aside their previous bitterness and work together to defend the territorial integrity of China.

The letter said the Army should be used if necessary to defend the islands.

Mr Tsui said he opposed a proposal by the Vice Minister of Foreign Affairs, Qi Huaiyuan, to hold talks with Japan on joint exploration of the natural resources of the islands.

"At the present moment, we must be alert to Japanese aggression. It is not easy for Japan to accept China's friendly offer of joint exploration as it has much more powerful economic strength than China," he said.

Mr Tsui suggested the Chinese government make use of the strong protests of the Japanese people against Japan's military expansion to increase pressure on Japan.

The Hong Kong Civic Association yesterday issued a declaration calling on Japanese authorities to withdraw naval and air force personnel from the vicinity of the islands and declare the area a "neutral zone".

The association said the Diaoyutai dispute should be settled by diplomatic means.

"This is all the more advisable when many countries in Asia are concerned about the possibility of a resurgence of militarism and of extreme rightist activism in Japan," it said.

#### Intellectuals Criticize Government

HK3110020790 Hong Kong HONGKONG STANDARD  
in English 31 Oct 90 p 10

[By Fan Cheuk-wan and Alan Nip]

[Text] Prominent intellectuals in Beijing yesterday criticised the Chinese government for having played down the Diaoyu Islands dispute.

They said the military should be used if necessary to assert Chinese sovereignty over the disputed islands.

Professor Xu Liangying, a research fellow of the Chinese Academy of Sciences, told the HONGKONG STANDARD yesterday that intellectuals in Beijing had not been publicly vocal about the dispute because the "political situation" made things difficult.

Students made similar statements in explaining why they had not made public protests over Japan's action.

Professor Xu said: "Intellectuals in Beijing are aware of the incident. But very few people discuss the issue, neither will they launch any protest actions."

"Personally I am disgruntled with the Japanese government's military move to repel the Taiwanese fishing boats from the Diaoyu Islands, which are Chinese territory," he said.

Prof Xu criticised the Chinese government for its "weak" stance.

"It is trying hard to improve its relationship with Japan because it badly needs Japanese loans. That's why the government has avoided offending Japan."

Prof Xu said the Chinese government should not hesitate to send troops to the Diaoyu Islands.

"China has the military strength to send troops, but our government has shown a lack of enthusiasm in staging a strong protest," he said.

He said the Diaoyutai incident was unlikely to provoke another round of anti-Japanese demonstrations on the mainland.

"Government political control has been so tight that I don't think the people will take the risk to stage protests."

"Moreover, the Diaoyutai Islands are too far from the mainland. Ordinary people are more concerned about their livelihood and economic conditions than the sovereignty issue," he said.

Dissident playwright Wu Zuguang said the official media had played down the row.

"Our government has not attached enough importance to the incident. Its official response is rather mild and low-key," Mr Wu said.

"I am rather surprised by the cool public response to Japan's unreasonable use of force."

Mr Wu, a member of the Chinese People's Political Consultative Conference, China's highest advisory body, said the government should take a tougher stand.

"If it is necessary, warships should be sent to assert sovereignty over the islands," he said.

Students in Beijing universities, once a hotbed of protest, have also shown disinterest in the dispute.

A student from the Beijing College of Foreign Affairs said yesterday the government should take stronger action.

Speaking on condition her name would not be revealed, the student said many students believed the government had been "soft".

"We will not petition the government or demonstrate because that will not make things work," she said.

"No students want to demonstrate because the memory of what happened on June 4 last year is still fresh," she said.

### **Commentary Views Japan's Decision on Troops**

*OW3010130290 Beijing in English to Western North America 0500 GMT 30 Oct 90*

[Commentary by Zhang Guohua]

[Text] The Japanese Government has decided not to send troops to the Persian Gulf. In this Radio Beijing commentary, Zhang Guohua described the decision as a victory for justice.

The UN Charter stipulates that Armies of UN members can establish blockades to safeguard international peace and security, but such measures must also adhere to the domestic law governing each country. The Japanese Constitution forbids the country from sending troops overseas. This should have been enough to keep Japan's military from joining the UN peacekeeping forces in the Persian Gulf. The Japanese Government introduced the UN peace and cooperation act this month to support the defense effort in the Gulf region. The Japanese public and opposition parties recognized this as an attempt to break the ban against troop movement. This makes it clear why advocates of the act sell it hard to justify their position during debate in the Japanese parliament.

Japanese Prime Minister Toshiki Kaifu suggested last Thursday that the question of sending troops abroad be separated from the specific issue of the UN peace and cooperation act, but the public once again protested. People demanded a clearer sign that troops would not be sent overseas. The attitude of the Kaifu cabinet on this major political question has aroused widespread discontent among the Japanese people. The approval rate of the Kaifu cabinet is dropping. Dissatisfaction within the ruling Liberal Democratic Party is also rising because of the government's ill-advised political position. These facts make it clear that the government's latest decision not to send troops is an admission of defeat by the forces of justice.

### **Commerce Minister Hu Ping To Visit Japan**

*HK3010030090 Beijing CHINA DAILY in English 30 Oct 90 p 1*

[By staff reporter Xie Liangjun]

[Text] Chinese Commerce Minister Hu Ping will fly to Japan tomorrow for a week-long visit aimed at strengthening further economic cooperation and exchanges between his ministry and Japanese economic circles, CHINA DAILY has learned.

Hu's visit comes at the invitation of Eishiro Saito, chairman of the Japan Federation of Economic Organizations and honorary chairman of the Japan Institute of Food Distribution Systems.

During the tour, Hu is scheduled to meet Japanese ministers of foreign affairs, agriculture, forestry and fisheries as well as international trade and industry.

According to a press release issued by the Ministry of Commerce, the discussions will focus on medium- and long-term plans of food distribution between the two countries. They will also consider the possibilities of Japanese aid in setting up a food comprehensive research centre in Beijing or Shanghai and of establishing a Chinese food promotion and development agency with Japanese economic and financial circles.

In an interview on Saturday, Hu said that the Japanese side had attached great importance to his visit. Leading Japanese entrepreneurs have set up a special reception committee to arrange for his visit.

He appeared optimistic about results of the visit which will be his second since 1982 when he visited Japan as Fujian provincial leader and had considerable success in luring Japanese investment and advanced technologies to the province.

According to Hu, the exchange of goods between Chinese and Japanese markets will enter a "new period" in which China will concentrate on importing Japanese advanced technology and equipment in agricultural and food development rather than consumer goods and finished products.

The Minister called for rapid expansion of foreign cooperation in the commercial sector, citing China's huge potential domestic market and stable political and economic situation as favourable conditions.

Chinese products need international markets, and overseas products also need Chinese markets, he said, adding that the country keenly welcomes foreign investment and technology transfer especially in commercial fields.

In the past decade, China's commercial departments have provided goods valued at 10 billion yuan for the country's foreign trade departments.

### **AFP Report**

*HK3010115490 Hong Kong AFP in English 1143 GMT 30 Oct 90*

[Text] Beijing, Oct 30 (AFP)—Chinese Commerce Minister Hu Ping will go to Japan Wednesday for a week-long visit, it was reported here Tuesday.

During his trip he is to meet Japan's ministers of foreign affairs, international trade, agriculture, forestry and fisheries, the official China Daily newspaper said.

Mr. Hu was invited by Eishiro Saito, chairman of the Japan Federation of Economic Organizations, and is ostensibly to discuss bilateral efforts in the food industry.

Japan was the first industrialized country to welcome a high-level Chinese official after the Tiananmen Square crackdown in June last year, when State Planning Commission Minister Zou Jiahua travelled there in January. He was followed by State Education Commission Minister Li Tieying in July.

China has yet to announce whom it will send to the coronation of Emperor Akihito on November 12, though it has committed itself to sending a representative.

Last Saturday Japan's ambassador to Beijing was summoned to the Foreign Ministry to hear China reassert its sovereignty over the unoccupied but potentially oil-rich Diaoyutai Islands in the East China Sea.

Though both countries agreed in 1971 to shelve the Diaoyutai question, it flared anew this month when China demanded the removal of a lighthouse it said had been erected by Japanese right-wing activists.

Taiwan's Nationalist government also lays claim to the islands.

China is also upset at the Japanese Government's plan to contribute unarmed troops to the U.S.-led international force in the Gulf—the first time Japanese military personnel would go abroad since World War Two.

#### **Japanese Conglomerate Announces Plans in PRC**

OW2710125390 Beijing XINHUA in English  
1130 GMT 27 Oct 90

[Text] Beijing, October 27 (XINHUA)—Yaohan, the giant Japanese business conglomerate, moved its headquarters from Japan to Hong Kong in May because China has a bright economic future in the 21st century and will be an ideal commodity supplier, corporation Chairman Kuzuo Wada said here today.

Yaohan International Group employs 16,000 people and does 1.7 billion U.S. dollars worth of annual retail sales.

Addressing more than 100 Chinese business people and local officials, he said that China has not only industrious people but also a broad market as well as rich natural resources.

As part of a long-term program, he said, the group will buy 50 Chinese restaurants in Hong Kong this year and another 50 next year.

He said that the raw materials will come from China. So Yaohan plans to establish a raw materials supply base in the Shenzhen special economic zone in the near future.

The group also plans to open a department store on China's mainland and set up 100 Chinese restaurants in Japan, the United States and other countries, he said.

The chairman also revealed that Yaohan will establish an international computerized network before 1992.

#### **Wang Guangying Meets Japanese Training Group**

OW2710105390 Beijing XINHUA in English  
0819 GMT 27 Oct 90

[Text] Beijing, October 27 (XINHUA)—Wang Guangying, vice-chairman of the Chinese People's Political Consultative Conference (CPPCC) National Committee, here this morning met with a delegation from the Yuai Japan-China Training Association led by its director Hiroaki Utida.

The association has been sponsoring training programs for Chinese young technical and managerial personnel.

#### **Wang Guangying Meets Japanese Youth Association**

OW2910094290 Beijing XINHUA in English  
0854 GMT 29 Oct 90

[Text] Beijing, October 29 (XINHUA)—Wang Guangying, vice-chairman of the Chinese People's Political Consultative Conference (CPPCC) National Committee, met with a delegation from the Japanese Fraternity Youth Association headed by its Chairman Kiyonari Nagata here this afternoon.

#### **Shanghai Mayor Meets Yokohama Delegation**

OW2810103890 Shanghai City Service in Mandarin  
1000 GMT 26 Oct 90

[From the "News and Weather" program]

[Text] Shanghai Mayor Zhu Rongji cordially received (Koichiro Furuhiro), vice mayor of the friendship city of Yokohama in Japan, and his goodwill mission this afternoon. Zhu Rongji extended a warm welcome to the guests and briefed them on Shanghai's situation.

(Koichiro Furuhiro) said: I saw the game plans for development and opening when visiting the Pudong new area today. They are not only favorable to Shanghai's economic development but also conducive to China's development. They are bound to succeed. He stated that the Yokohama City Government will lend all forms of support.

At the meeting, (Tatehiko Miura), deputy chief of the delegation and director of Japan Broadcasting Corporation and the Yokohama Broadcasting Bureau, said Yokohama will establish cooperative ties and conduct exchanges with Shanghai in radio and television broadcasting.

Yoshihiro Hasumi, Japan's consul general in Shanghai, was present at the meeting.



**Japanese Artist's Exhibition Opens in Shanghai***OW2710183990 Beijing XINHUA in English  
1527 GMT 27 Oct 90*

[Text] Shanghai, October 27 (XINHUA)—An exhibition featuring works of a noted Japanese ceramics artist, Kazuaki Kita, opened in the Shanghai Art Gallery here today.

The exhibits included ceramics works focusing on the anti-war and peace-loving theme.

Sponsored by the Shanghai Municipal Culture Bureau and the Shanghai Art Gallery, the exhibition will last a week.

**Further on Korean War Involvement Anniversary****Li Tieying Visits School***OW3110075690 Beijing XINHUA Domestic Service  
in Chinese 1408 GMT 30 Oct 90*

[By reporter Li Nengqing (7812 5174 3237)]

[Text] Kosong, 30 Oct (XINHUA)—On the afternoon of 29 October Li Tieying, member of the Political Bureau of the CPC Central Committee, visited the Huang Jiguang Senior Middle School in Kangwon Province's Kosong County on the east coast of Korea. Li Tieying undertook this trip after leading a Chinese Government and party delegation in activities held by the Korean Government commemorating the 40th anniversary of the Chinese People's Volunteers' entry into the Korean War.

The Korean Government recently named the Huang Jiguang Senior Middle School. The school is located at an expressway linking Wonsan, the capital of Kangwon Province, with Mount Kumgang, a scenic spot.

Upon arrival at the school, Li Tieying was greeted teachers, and students and their parents, who lined both sides of the street. Holding flowers, the masses standing along the street shouted slogans such as: "Friendship between Korea and China" and "Friendship and solidarity." The school treated the Chinese guest with persimmons, a special local product, and self-planted sweet potatoes.

At the principal's office, Li Tieying tasted special local products while talking with the principal. When asked about the annual enrollment of the school's graduates in universities, Principal Yi Chin-kon replied: A total of 20 percent of the school's graduates enroll in universities annually. Because we are close to the Military Demarcation Line, most of the graduates join the Army and then enroll in universities after their demobilization.

Li Tieying then told Yim Hyong-ku, responsible secretary of the Kangwon Provincial Party Committee: It is necessary to pay serious attention to education in order to develop science. The country will be hopeless if it fails to attach importance to education. Korea has done well in education, and its teachers' salaries are quite high. We

should learn from much of your experiences. The education secretary of the county added: In Korea, teachers are given preference at stores, theaters, and barbershops for they are highly respected by the people.

Li Tieying visited the memorial room for Huang Jiguang's heroic deeds and physics, computer, and chemistry laboratories. On display in the memorial room were Huang Jiguang's biographical notes, written pledges before his death, photographs taken at Sangkanryong—the place where he laid down his life—and a letter addressed to President Kim Il-song by the company in which he served before his death.

After his tour of the memorial room, Li Tieying thanked the Korean Government for naming this school. He said: This reflects the strengthening and development of the friendship between China and Korea. Huang Jiguang honors not only the Chinese People's Volunteers, but also the Chinese people. It is hoped that all teachers and students in the school will make efforts to pass on Sino-Korean friendship from generation to generation. To make this school a bridge for developing Sino-Korean friendship, the Chinese State Education Commission will donate books, sports equipment, and teaching instruments. In addition, China will provide scholarships to the school so that its two best graduates can enroll in Chinese universities annually.

On behalf of all teachers and students in the school, the principal said that they would follow the example of Hero Huang Jiguang to do everything possible for the sake of Korean-Chinese friendship. He hoped that Huang Jiguang's relatives would visit Korea. He also asked Comrade Li Tieying to convey the greetings of all the teachers and students of the school to the Chinese people and Huang Jiguang's relatives after his return to China. Li Tieying replied: "I certainly will."

**Li Tieying Visits Chinese Students***OW2710143690 Beijing XINHUA Domestic Service  
in Chinese 1415 GMT 26 Oct 90*

[By reporter Li Nengqing (7812 5174 3237)]

[Text] Pyongyang, 26 Oct (XINHUA)—Li Tieying, head of the Chinese party-government delegation, member of the Political Bureau of the CPC Central Committee, state councillor, and minister of the State Education Commission, who is now in Pyongyang to participate in activities to mark the 40th anniversary of Chinese People's Volunteers fighting in Korea, met with over 200 Chinese students who are studying in the Democratic People's Republic of Korea (DPRK) and personnel of Chinese organizations in DPRK in Pyongyang today.

Li Tieying proposed the use of a dialogue format for his talk with the students. The students asked Li Tieying to speak about China's problems such as education. Li Tieying said that education must suit China's national condition. There are four national conditions for China: one, it has 5,000 years of civilization and history; two, it

has 9.6 million square kilometers of land; three, it has a population of 1.1 billion people; four, it practices socialism under the leadership of a communist party. Once we depart from the socialist system, there would be no future or development for the country. Every country has different national conditions. China can only tread its own path; this is the conclusion of history.

He said: The future of China depends on our own struggle. Only stability can bring development and promise a future. Unity and hope will exist only if there is long-term social stability. Young people must link their fates to the country's future. The education front must unswervingly adhere to the four basic principles; continue the policy of reform and opening to the outside world; continue to send student overseas, and widen the scope of exchanges and cooperation; however, our country has sovereign rights in sending students abroad.

Li Tieying encouraged the students to study hard and return to serve the motherland after completing their studies.

#### **Delegation Departs DPRK**

*OW3110114490 Beijing XINHUA Domestic Service  
in Chinese 1558 GMT 30 Oct 90*

[By reporter Li Nengqing (7812 5174 3237)]

[Text] Pyongyang, 30 Oct (XINHUA)—The Chinese party and Government delegation headed by Li Tieying, member of the Political Bureau of the CPC Central Committee and state councillor, left Pyongyang by plane for home today after participating in celebrations for the 40th anniversary of the Chinese People's Volunteers' (CPV) entry into the Korean war and paying a visit to the country.

Among those seeing the delegation off at the airport were Choe Tae-pok, alternate member of the Political Bureau of the Central Committee of the Workers Party of Korea [WPK] and member of the Secretariat of the WPK Central Committee, and Chinese Ambassador to Korea Zheng Yi.

A band played the national anthems of China and Korea at the farewell ceremony at the airport. Accompanied by Comrade Choe Tae-pok, Comrade Li Tieying reviewed the honor guard of the Korean People's Army. Several thousands of people of Pyongyang waved bouquets to see off the Chinese party and Government delegation.

The Chinese party and Government delegation headed by Comrade Li Tieying arrived in Pyongyang on 24 October. During its stay in Pyongyang, it took part in the activities of the Korean Government for marking the 40th anniversary of the CPV's entry into the Korean war. Then it proceeded to visit Wonsan, a city on Korea's east coast, and toured Mount Kungang, a famous Korean scenic spot, from 27 to 30 October. It received warm hospitality from the responsible persons of the party and administrative organs of Kangwon

Province. It also visited a high school named after Huang Jiguang in Kosong County, Kangwon Province.

At the conclusion of the visit, Comrade Li Tieying sent a message to Kim Il-song, general secretary of the WPK Central Committee and president of the Democratic People's Republic. He expressed his thanks for the warm welcome and hospitality accorded the Chinese party and Government delegation.

The message said: At the conclusion of our successful visit to your country, I, on behalf of the Chinese party and Government delegation, would like to convey my heartfelt thanks to you and, through you, to the Korean party and Government, as well as the fraternal Korean people.

The message also said that the solemn and intense activities held by the Korean party and Government to mark the 40th anniversary of the CPV's entry into the Korean war strengthen our belief that the great friendship between the peoples of China and Korea, which was cemented with blood, will pass on for generations and shine forever under the care of and cultivation by the parties and governments of the two countries.

#### **Delegation Returns Home**

*OW3010140590 Beijing XINHUA in English  
1108 GMT 30 Oct 90*

[Text] Beijing, October 30 (XINHUA)—A Chinese party and Government delegation headed by State Councillor Li Tieying, who is member of the Political Bureau of the Chinese Communist Party Central Committee, was back here from Pyongyang by plane this afternoon, after attending activities marking the 40th anniversary of the Chinese People's Volunteers's entry into Korea to fight the war.

Among those greeting the returning delegation at the airport were State Councillors Song Jian and Li Guixian, who are also members of the party Central Committee, and Ambassador of the Democratic People's Republic of Korea to China Chu Chang-chun.

#### **Sports Minister Signs Agreement With DPRK**

*OW2810122890 Beijing XINHUA in English  
1213 GMT 28 Oct 90*

[Text] Pyongyang, October 28 (XINHUA)—The sports exchange agreement between China and the Democratic People's Republic of Korea in 1991 was signed here today.

Wu Shaozu, Chinese sports minister who is visiting the DPRK, and Kim Yu-sun, sports minister of the DPRK, signed the agreement on behalf of the two sides respectively.

**DPRK Art Ensemble Invited To Perform**

SK2810004090 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 26 Oct 90

[Text] On the evening of 26 October, at the Harbin Beifang Theater, the North Hamgyong Provincial Art Ensemble from the DPRK presented a brilliant performance of national songs and dances to a vast number in the audience. The performance of Korean artists drew prolonged applause. When they sang the Chinese songs including the "The War Song of the Chinese People's Volunteers," the atmosphere in the theater became even more dynamic, and the audience gave continuous applause in line with the metres of the songs.

The North Hamgyong Art Ensemble arrived in Heilongjiang Province for friendly performances upon the invitation of the provincial government.

Before the performance began on the evening of 26 October, Cai Qi, director of the provincial cultural department, and (Paek Hwa-yong), vice chairman of the North Hamgyong Provincial Administrative and Economic Guidance Committee, made speeches. They wished for the long life of the great friendship and unity between the peoples of China and North Korea.

Pertinent leaders of the provincial party committee, the provincial People's Congress, the provincial government, and the provincial committee of the Chinese People's Political Consultative Conference, including Sun Weiben, Zhou Wenhua, (Xie Rongfan), Wang Jun, Qi Guiyuan, Ji Hua, Cong Fukui, and Huang Feng, viewed the performance, and posed for a picture together with performers.

After its performance in Harbin, this ensemble will also go to Jiamusi and Mudanjiang cities for friendly visits and performances.

**Correction to Jilin, DPRK Tourist Service**

SK3010081290

The following correction pertains to the item headlined "Jilin Opens Tourist Service With DPRK" published in 29 October China DAILY REPORT, beginning on page 10:

Page 11, column two, first partial paragraph, first partial sentence, should read: ...between Hunjiang and Saeppyo County in the... (correcting name of county).

**Near East & South Asia****Article Assesses Mubarak's Gulf Tour**

HK3010141890 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 30 Oct 90 p 6

["Roundup" by staff reporter Lin Jiaoming (2651 4109 2494): "Efforts To Peacefully Resolve the Gulf Crisis—President Mubarak's Trip to Four Gulf Countries"]

[Text] Cairo, 26 Oct (RENMIN RIBAO)—The present Gulf situation has entered a critical stage. On the 22nd Egyptian President Mubarak began a four-day Gulf tour. He talked and exchanged opinions with the supreme leaders of Saudi Arabia, United Arab Emirates, the State of Qatar, and Oman. He again called on Iraq to pull out its Army. This has shown the Arab world's urgent wish for a peaceful resolution of the Gulf crisis.

During an inspection of the Gulf-stationed Egyptian troops on his tour, President Mubarak stressed: "If possible, the Gulf crisis should be resolved peacefully." The Egyptian president, who has a 25-year military career, "hoped that the troops will return home without shedding a single drop of blood." President Mubarak repeatedly called on Iraq to unconditionally withdraw its Army from Kuwait, restore the legal Kuwaiti Government and thus relieve the Arab people from a disaster. Media here sees this as another Egyptian effort to prevent a Gulf war and seek a peaceful resolution of the Gulf crisis.

The centerpiece of President Mubarak's tour was Saudi Arabia. His talks with King Fahd are seen as another conciliation between the two countries over the Gulf crisis.

During the talks Egypt and Saudi Arabia stated that they would not accept any program that violates the resolutions of the Arab League's leadership meeting; and they insisted that negotiations can start only after Iraq unconditionally withdraw all of its Army from Kuwait and restore the legal Kuwaiti Government.

Upon returning to Cairo last night President Mubarak also stated that he is resolutely opposed to intervention in another country's internal affairs, pointing out that "only Kuwaiti people have the right to determine their future leader." He said the Gulf countries will discuss the Arab security defense system as a measure against foreign threats in the region after the Gulf crisis is resolved. "Egypt has informed Gulf countries that Egypt is willing to join the defense plan." Egypt and Saudi Arabia have requested the Western powers to abandon their own "defense plan" after the Gulf crisis, and stated that "Arab countries will make their own arrangements." Meanwhile, at the request of Saudi Arabia and the United Arab Emirates, Egypt has agreed to increase its troops in the Gulf, which include Air Force combat units.

The Gulf countries have decided to waive Egypt's huge debt and guarantee economic and financial aid. This is another important benefit of President Mubarak's tour. According to an Egyptian newspaper report, the \$7 billion Egypt owed Saudi Arabia and the United Arab Emirates will all be waived.

The above Gulf countries have also reached agreements with Egypt on billions of dollars in economic aid to be used to compensate Egypt for losses as a result of the Gulf crisis. The aid package includes an annual circulating fund budget and a preference for Egyptian investment items in fund allocation.



The media of Egyptian and Gulf countries call the Gulf situation a "race between peace and war." Egyptian President Mubarak's Gulf tour will strengthen the Arab world's common stand in seeking a peaceful resolution of the Gulf crisis. People are looking forward to seeing the Gulf situation develop in a direction favorable to a peaceful resolution.

#### **Correspondents Join Visit to Pakistani Kashmir**

OW2710113490 Beijing XINHUA in English  
0859 GMT 27 Oct 90

[Text] Islamabad, October 27 (XINHUA)—Fifteen correspondents from the United States, Canada, Germany, Britain, Norway, China and Iran visited the Pakistani-controlled Kashmir yesterday.

During their one-day stay, they were received by local government and military leaders, including Sardar Muhammad Abdul Qattum, president of Azad (Free-dom) Kashmir.

The places they visited included Muzaffarabad, capital of the Kashmir valleys, and some refugee camps.

Asked why they came to Pakistan from the Indian-occupied Kashmir, the refugees, old and young, male and female, said they came because their houses were burned by Indian troops.

Pakistan and India have held two rounds of talks on the Kashmir issue since July this year.

Pakistan accuses India of carrying out atrocities to the Muslims in the area it holds, while India accuses Pakistan of interfering in its internal affairs.

### **West Europe**

#### **Editorial on EC Lifting Sanctions Against China**

HK3010073390 Hong Kong WEN WEI PO in Chinese  
29 Oct p 2

[Editorial: "The Trends of the Times—Commenting on EC's Lifting of Sanctions Against China"]

[Text] The EC foreign ministers met last week and made an official decision to lift economic sanctions against China and to resume ties with China. This is a conspicuous trend in current international relations.

Following the 4 June incident in Beijing last year, the EC, the United States, and Japan imposed sanctions against China, which included termination of high-level government contacts, freezing of loans to China, and suspension of arms export to China. This was a regrettable decision because it hindered the development of Sino-EC relations and was also disadvantageous to the bilateral relations between China and the 12 EC member nations.

There are frequent economic contacts in the world today. The increasing friendly contacts between the countries of

different social systems can benefit the countries concerned and also promote international peace and development. On this premise, the sanctions imposed on China by the EC, the United States, and Japan last year slightly affected China's reform and opening up. Instead of benefiting the Western nations, it cast a shadow on international detente. The responsibility for all these mistakes does not lie on the Chinese side.

Although the sanctions produced an impact on China, they did not prove effective. New China, which was subject to blockade and encirclement since its founding, engaged in socialist construction amid an adverse international environment for a long time and achieved marked successes. Any attempt to change China's social system by means of blockade and sanctions or to force the Chinese people to accept another concept of value did not succeed in the past nor would it be effective in the future.

China, a country with the largest population in the world, is one of the five permanent members of the UN Security Council. China has sound comprehensive national strength and national defense to be reckoned with. China has large numbers of friends and an extensive and far-reaching influence in the Third World. China is also a socialist country which first introduced reform and opening up. All this has determined China's important position in the world today. No responsible statesmen can ignore this point. On the one hand, China will never yield to the sanctions; and, on the other hand, major international issues cannot be settled without China's participation and cooperation. This is the case in the resolutions made by the United Nations on Iraq's invasion of Kuwait and the talks on the Cambodian issue.

The EC sanctions against China, which could not be enforced, harmed the interests of its own member nations. The sanctions, which did not benefit any side, were to be lifted sooner or later. It was independent of man's will. The saying the sanctions were lifted because China "cooperated with the West" in the Gulf crisis is simply an excuse.

As the largest trade group in the world, the EC has major interests in China. China, which has introduced reform and opening up, has offered trade and investment opportunities to the EC. Britain, Germany, and France have extensively participated in China's large construction projects, like the Daya Bay nuclear power plant and Shanghai underground railway. Construction of these projects continued even after the 4 June incident.

Trade has always been a two-way activity. The freezing of loans to China will naturally affect exports to China. It has been reported that France's exports have dropped by one-fourth over the year because of the sanctions. The manufacturers poured their complaints about the sanctions, exerting pressure on the government and demanding for a lift of the sanctions. Former West

Germany had always attached importance to its relations with China. Earlier this year, a number of influential entrepreneurs urged the Bonn authorities to suspend the sanctions so as to promote German businessmen's exports to China. The unified Germany will also regard development of ties with China as an important task. Because of Hong Kong, the industrial and commercial circles in Britain have more connections with China, which have never been suspended. As Britain, Germany, and France relaxed their sanctions against China long ago, the lifting of sanctions officially by the EC last week was natural.

Thanks to the lifting of the sanctions and dispersed dark clouds, we can see the bright prospects of China's political and economic exchanges with the EC.

In the contacts between the EC and China, Hong Kong has played an important role in finance, communications, and trade. The sanctions against China lifted by the EC will benefit Hong Kong's industrial and commercial circles and also offer more business opportunities. It is indeed good news as the move benefits the EC and China as well as Hong Kong.

#### **Belgian Official on Sanctions**

*OW3010073690 Beijing XINHUA in English  
0703 GMT 30 Oct 90*

[Text] Brussels, October 29 (XINHUA)—The president of the Belgium-China Trade Committee, Henri Lederhander, said here today that it was "quite right" for the European Community to have lifted sanctions on China.

"The EC made a mistake in imposing sanctions on China. Now its own correction has come after nearly 16 months, which is good for both EC members and China," he said.

The People's Republic of China had made great achievements over the past 41 years since its foundation, and just as in the case of any other country, it could not avoid making mistakes. He expressed his confidence in the "removing of the barriers between the EC and China" and new developments in their relations.

"I shall go to China in the middle of November to try all efforts to promote the development of the relationship between Belgium and China," he added.

#### **PRC-EEC International Symposium Held**

*HK3110062790 Beijing RENMIN RIBAO in Chinese  
23 Oct 90 p 7*

[Report by Li Shuxun (2621 2885 8113): "PRC-EEC International Symposium Held in Wuhan"]

[Text] The third PRC-EEC International Symposium was held in Wuhan from 16 to 18 October.

The symposium was cosponsored by Wuhan University and the China European Communities Research Institute and was enthusiastically supported by the State Education Commission. More than 40 scholars and EEC research experts from home and abroad, and representatives from some educational and scientific research units, attended and presented over 30 academic theses.

Qi Minyou, president of Wuhan University, spoke at the opening ceremony. He said: We warmly welcome scholars from home and abroad to Wuhan University, to discuss and study questions concerning the establishment of an EEC unified market and the influence of the development of integration.

At the meeting, a congratulatory message from Secretary General (Williamson) of the Commission of European Communities was read out. Officials from the commission and its mission in China also attended the meeting to extend their congratulations and join in the academic discussion.

The main subject for discussion at the symposium was the large unified EEC market to be established in 1992. The participating scholars and experts had an extensive and profound discussion and debate over the following three special subjects: The year 1992 and Europe; the year 1992 and the world; and the year 1992 and China.

During the symposium, the council of the China European Communities Research Institute also elected its new leaders and discussed and made new arrangements for future work.

#### **Germany To Reinstate Aid, Provide Credits**

*OW3110124290 Beijing XINHUA in English  
1213 GMT 31 Oct 90*

[Text] Bonn, October 30 (XINHUA)—German Federal Assembly today decided to reinstate development aid to China and provide new export credit guarantees suspended last year.

This decision came in the wake of the October 22 decision of the European Community to restore its normal relations with China.

It means German exports for the short-term cooperation projects with China can again be guaranteed by Bonn's state-owned Hermes Kreditversicherung (credit insurance). But guarantees on other items are still to be revised one by one.

The decision also approves an expansion in the future cooperation projects between the two countries.

This parliament resolution was based on a motion from the ruling coalition of Christian Democrats and Liberals. The opposition maintained its original reservations in the parliament debate.

### Cooperation Limits Abolished

OW3110094290 Beijing XINHUA in English  
0907 GMT 31 Oct 90

[Text] Bonn, October 30 (XINHUA)—The German Parliament, Bundestag, today decided to abolish limits in the German-Chinese cooperation imposed since the June 4 suppression of riots in Beijing last year.

This decision came in the wake of an October 22 decision of the European Community to restore its normal relations with China.

According to the decision, Germany will expand its cooperation with China, and resume its hermesburgschaften (credit guarantees) for Chinese short-term projects. Guarantees on other items need to be studied one by one.

This Parliament decision was based on a motion from the ruling coalition of Christian Democrats and Liberals. The opposition maintained its original reservations in the Parliament debate.

### Financial Agreement Signed With Germany

HK2910111790 Beijing CEI Database in English  
29 Oct 90

[Text] Beijing (CEI)—The Chinese Government and German Government signed a financial cooperation agreement over the weekend in Bonn, informed sources said here.

According to the agreement, a German Bank will provide a five million deutsche mark-worth financial aid for the reconstruction of an earthquake-stricken area in northwest China's Qinghai Province.

### Wu Xueqian Remarks on PRC-UK Relations

OW2610120990 Beijing XINHUA in English  
1119 GMT 26 Oct 90

[Text] Beijing, October 26 (XINHUA)—Chinese Vice-Premier Wu Xueqian said today that Sino-British relations are moving in the right direction and he hoped that Britain takes the lead in the European Community in restoring ties with China.

Wu made the remarks at an hour-long meeting with Peter Blaker, chairman of the Hong Kong group of the British Parliament and his party, here this afternoon.

Wu said that the Chinese Government attaches great importance to developing relations of friendly cooperation with Britain and other EC member countries.

More high-level exchanges between China and Britain will help improve bilateral relations, Wu said.

Blaker, who arrived here with his colleagues two days ago, said that he was pleased to see Sino-British relations back on the upward track again.

Wu and Blaker also exchanged views on the Hong Kong issue and a number of international issues.

### British Trade Delegation Arrives in Shanghai

OW2910181990 Beijing XINHUA in English  
1650 GMT 29 Oct 90

[Text] Shanghai, October 29 (XINHUA)—A 28-member delegation from a group of 48 British traders with China arrived here today to seek partners for investment and trade.

The group is led by Terence Wint, chairman of the Management Committee, and the delegation consists of senior managing personnel of 21 companies which engage in areas such as finance, paint products, electrical, porcelain, telecommunications, machinery, metallurgy, lamp production and others industries.

All of the delegation members will visit their corresponding enterprises in Shanghai and will conduct talks on investment, trade and technology before the end of the month. Effective November 1st, the members will be divided into two groups, with one group visiting Chongqing, Dalian and Shenyang, while the other will visit Nanjing and Tianjin. They will meet again in Beijing on November 7th for a week-long visit to the Chinese capital.

Sources from the group's office in Shanghai said that the group has a program for trade with China covering a period from this year to 1995. According to the program, the volume of imports to Britain from China and exports to China will reach 5.4 billion U.S. dollars in the next six years.

### Austrian Corporate Delegation Visits Jilin

SK2810034090 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 25 Oct 90

[Text] At the invitation of Governor Wang Zhongyu, the eight-member delegation of the Austrian UDI Corporation, which is headed by (Essenbaker), president of the Austrian corporation, arrived in the city of Changchun on 25 October to pay a friendly visit to our province.

The Austrian UDI Corporation has exerted great influence internationally. The visit of the Austrian delegation is mainly aimed at holding talks with our province on the important items of economic and trade cooperation and making fact-finding tours to the production spots.

That afternoon, Governor Wang Zhongyu and Vice Governor Wang Yunkun received President (Essenbaker) and his entourage in the Nanhui Guesthouse. During the reception, Governor Wang Zhongyu delivered a speech amid a friendly atmosphere, in which he first extended welcome to the Austrian delegation and informed the guests of the province's general situation in natural resources and the development of industrial and agricultural production. He also held talks and extensively exchanged opinions with the Austrian guests regarding the important economic and trade projects,



including the deals of products turned out by the 300,000-ethylene plant under the Jilin Petrochemical Corporation.

Attending the reception were responsible persons from the provincial foreign affairs office, the provincial planning and economic commission, the provincial economic and trade commission, and from the departments concerned under the Changchun City People's Government.

### Signs Agreements

*SK2910114090 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 27 Oct 90*

[Text] On 27 October, (Essenbaker), president of the Austrian UDI Corporation, signed cooperative agreements with our province regarding the important economic and trade projects and concluded his three-day visit in the province.

During his tours in the city of Changchun, President (Essenbaker) visited the Jilin Petrochemical Industrial Corporation and held extensive talks with the corporation on the cooperative projects concerning the production of the 300,000-ton-ethylene plant. Both sides reached unanimous opinions in which the Austrian corporation is willing to provide loans on favorable terms to the Jilin Petrochemical Industrial Corporation for the investment in the production of 300,000 tons of ethylene and in its coordinated projects and to recommend the German (Luxi) Company and other key chemical industrial and engineering companies in the world as technical partners to our province. During the talks, President (Essenbaker) was greatly interested in the major projects formulated by our province for the Eighth Five-Year Plan period and was willing to cooperate with the province in the field of loans on favorable terms, joint ventures, and compensation trades. Of these cooperative projects, the Austrian corporation is willing to operate joint-venture plants of processing 2,800 tons [words indistinct] and 30,000 tons of castor beans annually, of turning out tires and [words indistinct], of turning out 200,000-300,000 tons of fodder, and of precisely producing corn oil. As for the compensation trade, President (Essenbaker) expressed that the Austrian corporation is also willing to provide equipment with the daily output of 2 million tons for the Jilin Paper Mill and to carry out compensation trade cooperation for the province's production items of antibiotic and synthetic medicines and that the Austrian corporation will dispatch experts in the near future to make fact-finding tours, to exchange opinions, and to further explore cooperation in the production of [words indistinct], fiber pulp, farming plastic sheet, steel plate, and corn starch.

Prior to his departure, President (Essenbaker) also earnestly heard the report on the province's export situation of medicine, paper, textile products, metallurgical products, (?tin), and petrochemical industrial products. He also enthusiastically expressed that the Austrian corporation will assist our province to expand its sales of these

products and decided that the Austrian corporation will formally establish an office in our province and dispatch staffers permanently stationed in the province to promote economic and trade cooperation and exchanges with our province.

Amid a warm and friendly atmosphere at the noon of 27 October, Governor Wang Zhongyu, President (Essenbaker), and (Li Fengjun), chairman of the provincial planning and economic commission, signed their names on the letter of intent. Attending the reception and the signing ceremony and seeing the Austrian guests off at the airport were Vice Governor Wang Yunkun and responsible persons from the provincial foreign affairs office, the provincial planning and economic commission, and the provincial economic and trade commission; and from the departments concerned under the Changchun City People's Government.

### Reception Marks Anniversary of Finland Ties

*OW2710133490 Beijing XINHUA in English  
1159 GMT 27 Oct 90*

[Text] Beijing, October 27 (XINHUA)—The Chinese People's Association for Friendship with Foreign Countries (CPAFFC) held a reception here this evening to mark the 40th anniversary of the establishment of diplomatic relations between China and Finland.

Among those present on the occasion were Wang Hanbin, vice-chairman of the Chinese National People's Congress Standing Committee; Han Xu, president of the CPAFFC; Bror Wahlroos, secretary general of the Ministry of Trade and Industry of Finland; as well as Finnish Ambassador to China A. Mansala.

### Henan Establishes Ties With French Province

*HK3110032290 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 29 Oct 90*

[Text] After three years of friendly contacts, our province and France's Saone-et-Loire Province have greatly strengthened bilateral friendly relations.

At 18:15 yesterday, Acting Provincial Governor Li Changchun and Mr. (Bo Meng), chairman of the Saone-et-Loire Provincial Assembly, signed an accord on friendly relations between Henan Province and Saone-et-Loire Province, thus officially establishing friendly relations between the two provinces.

Mr. (Bo Meng) said: This is our long-awaited moment.

Acting Provincial Governor Li Changchun said: The signing of the accord signaled a new stage in the development of the friendly relations of cooperation between Henan Province and Saone-et-Loire Province.

Before the signing ceremony was held, Acting Provincial Governor Li Changchun had met with all the members of the French Saone-et-Loire Provincial Delegation in the Provincial People's Auditorium. Acting Provincial

Governor Li Changchun said: Saone-et-Loire Province is a very important French Province which has an advanced agriculture and advanced technological facilities. The friendly cooperation between our two provinces has bright prospects. We will continuously and substantially enrich the contents of our cooperation and promote the continued development of friendly relations between the peoples of our two provinces.

Yesterday afternoon, Vice Provincial Governor Qin Kecai and the responsible persons of the relevant departments directly under the provincial authorities held talks with the principal members of the Saone-et-Loire Provincial Delegation in the Provincial People's Auditorium. The two sides discussed the details concerning Saone-et-Loire Province inviting Henan Province to hold a trade fair and an exhibition of historical and cultural relics in France and explored the possibility of furthering their bilateral cultural, trade, scientific, and technological exchanges and cooperation.

#### **Chen Muhua Meets Irish Women's Delegation**

OW3010100290 Beijing XINHUA in English  
0809 GMT 30 Oct 90

[Text] Beijing, October 30 (XINHUA)—Chen Muhua, vice-chairman of China's National People's Congress Standing Committee and chairman of the All-China Women's Federation, met and gave a banquet here today for an Irish women's delegation headed by President Kitty Harlin of the Irish Country Women's Association.

Apart from Beijing, the Irish visitors have toured Xian, Guilin and Shanghai since they started a 10-day goodwill visit to China on October 20.

#### **Song Jian Meets Turkish Science Delegation**

OW3010121990 Beijing XINHUA in English  
1057 GMT 30 Oct 90

[Text] Beijing, Oct 30 (XINHUA)—State Councillor and Minister in charge of the State Science and Technology Commission Song Jian met with a Turkish science delegation led by Dr. Mehmet Ergin, chairman of the Turkish Scientific and Technical Research Council.

During its stay in China, the delegation had discussed scientific and technological cooperation and exchanges between the two countries. The guests also visited a few Chinese research institutes.

### **East Europe**

#### **Tourism Foreign Exchange Problems Solved**

HK3010032090 Beijing CHINA DAILY in English  
30 Oct 90 p 3

[By staff reporter Wang Rong]

[Text] Chinese tourist agencies are tackling the only stumbling block which stands in their way of attracting tour groups from Eastern Europe—foreign exchange clearance.

So far, at least one agency has made a breakthrough, by engaging a travel agent in a third country to handle exchange transactions, an international tourism conference was told on Sunday.

With the co-operation of a German travel agent, Lernidee—Reisen Germany, China Comfort Travel (CCT) plans to open up the tourism market in Eastern European countries.

While Western tourists continue to visit China, East Europeans have had problems in reaching agreements with Chinese travel agents due to their lack of hard currency.

At CCT's invitation, about 70 delegates from travel agencies, tour operators, airlines and banks in Eastern European countries and Korea and Mongolia are in Beijing for a tourism marketing conference which opened on Sunday.

The five-day meeting will discuss the details of the three-way deal initiated by CCT, aimed at eliminating the currency problem which has so far hampered the tourism business with these countries.

For example, according to the agreement, if a German tourist group visits the Soviet Union or other East European countries, paying marks, then a Soviet tour group can visit China—or even Korea, Mongolia or Vietnam—using marks rather than roubles.

He Guangwei, vice-director of the National Tourism Administration, said it is a "meaningful attempt to solve the long-lasting problem by employing the efforts of a third country."

"We have considered ways of opening up the market in Eastern Europe for several years with no substantial results," said Li Tiefei, director of the department of marketing and promotion with the National Tourism Administration.

But CCT's three-way project is "creative and feasible," Li added.

A CCT manager told CHINA DAILY that CCT is the forerunner in the Sino-Eastern European travel business and already has scored some successes.

#### **Former Hungarian Official Visits Beijing**

OW2910090290 Beijing XINHUA in English  
0837 GMT 29 Oct 90

[Text] Beijing, October 29 (XINHUA)—Li Guixian, state councillor and governor of the People's Bank of China, met here today with Peter Medgyessy, former deputy prime minister of Hungary.

Peter arrived here yesterday on a visit to China at the invitation of the Chinese People's Institute for Foreign Affairs.

### **Ni Zhifu Meets Polish Trade Union Delegates**

*OW3010183490 Beijing XINHUA in English  
1632 GMT 30 Oct 90*

[Text] Beijing, October 30 (XINHUA)—Ni Zhifu, president of the All-China Federation of Trade Unions (ACFTU), met here this evening with a delegation from the All-Poland Alliance of Trade Unions (APATU).

Led by Maciej Manichi, vice-president of the APATU, the largest trade union organization in Poland, the delegation arrived here October 23 upon ACFTU's invitation.

In their meeting, Ni, also vice-chairman of China's National People's Congress Standing Committee, spoke highly of APATU's efforts in serving the working people of Poland.

Manichi told Ni that he felt China's economic reform had won the support of the people of all walks of life and Poland could learn much from China's experiences, especially from China's practice in setting up and managing joint ventures.

Ni and Manichi also expressed their wishes to further the cooperation between the trade unions of the two countries.



## Political & Social

### Writer Wang Ruowang Released From Jail

#### Release Seen as Conditional

HK3110075390 Hong Kong AFP in English 0749 GMT  
31 Oct 90

[Text] Hong Kong, Oct 31 (AFP)—Prominent Chinese writer Wang Ruowang, jailed for taking part in last year's pro-democracy movement, has been released conditionally, the SING TAO Evening News reported here Wednesday.

Mr. Wang, 72, was freed Monday and is now resting in his home in Shanghai, the report said, adding that he has still to face prosecution despite his release from jail.

The writer was arrested at his home on September 8 last year for allegedly spreading anti-revolutionary propaganda and incitement, and had been held incommunicado since then, the paper said.

#### Reportedly in Good Health

HK3110100090 Hong Kong AFP in English 0859 GMT  
31 Oct 90

[Excerpt] Beijing, Oct 31 (AFP)—The Chinese authorities have freed prominent dissident writer Wang Ruowang from prison where he had been held for more than a year, informed sources said Wednesday.

Mr. Wang, 72, was released Monday, and his health was in "good condition," one of the sources said.

The writer himself could not be reached for comment. A man answering the phone at his home in Shanghai said he was out shopping with his wife.

Mr. Wang, expelled from the Communist Party in 1987 along with fellow dissident Fang Lizhi for alleged "bourgeois liberal" views, went into hiding after the Army suppression of the Tiananmen Square democracy movement in June last year.

#### Wang's Wife Interviewed

HK3110122690 Hong Kong AFP in English 1146 GMT  
31 Oct 90

[By Robert MacPherson]

[Text] Beijing, Oct 31 (AFP)—China's boldest dissident writer, Wang Ruowang, is free on parole in his native Shanghai after more than a year in prison, his wife Yang Zi said Wednesday.

In a telephone interview, Mrs. Yang said her husband, 72, who once dared to liken communist party rule in China to feudalism, still faces charges of inciting counter-revolutionary activities.

But after 416 days locked in prison, the authorities decided that he could go home Monday, and that his family was free to speak to foreign reporters about his condition, she said.

"It has been a long time since he has seen the sun. It hurts his eyes. His hands tremble when he holds a pen," Mrs. Yang said, explaining why her husband could not come to the phone.

Mr. Wang is the most important Chinese dissident to taste freedom since Fang Lizhi was allowed to leave for Britain on June 25 after holing up in the U.S. Embassy here for 385 days.

Both men were moving spirits behind student-led democracy protests in Tiananmen Square last year, which inspired similar demonstrations in Shanghai and other cities.

Mr. Wang went into hiding after troops snuffed out the Beijing protests on June 4 last year, only to be arrested September 8, 1989 and attacked in Shanghai's state-run press for plotting "to negate the socialist system."

While in custody he was held in a cell with two other men in an auxiliary detention center in China's biggest city, but not in Shanghai No. 1 Prison as some Western reports claimed, Mrs. Yang said.

Though physically worse for wear, she said her husband was in good spirits, joining her on shopping walks in the neighborhood and trying to learn once again how to ride a bicycle.

"He is going to write again," she added. "For now he's going to read a year's worth of old newspapers to find out what has been going on in the outside world."

No stranger to controversy, Mr. Wang was stripped of his communist party membership—as was Mr. Fang—in January 1987 for allegedly promoting "bourgeois liberalization," or undesirable Western ideas.

But he continued to speak out, telling foreign reporters that China was still a feudal society and blaming its communist leaders for "the roots of our country's backwardness."

Mr. Wang, who liked to flout conformity by sporting a French beret, also called for a complete re-evaluation of Chairman Mao Zedong, whose ideology and legacy still cast a long shadow over China 14 years after his death.

Mr. Wang's release was not announced in the official media, which claimed last June—without giving names—that 355 pro-democracy activists had been freed in Beijing alone.

But thousands still languish behind bars for having demanded more human rights and political freedoms, both before and after the Tiananmen Square protests, diplomats and human rights activists say.

They include Wang Dan, 22, a Beijing University history student and leader of the Tiananmen Square protests, and Wei Jingsheng, 40, who ran afoul of senior leader Deng Xiaoping in 1979 with his open appeals for a democratic China.

Beijing consistently denies that it holds any political prisoners, and regards counter-revolutionary activities as a common crime which, in extreme cases, can draw the death penalty.

### **Deng Xiaoping's Health Reportedly 'Quite Good'**

*HK3110110890 Hong Kong CHENG MING in Chinese No. 157, 1 Nov 90 p 15*

[Article by special correspondent Yue Shan (1471 1472): "Deng Xiaoping's Latest Health Condition"—first paragraph is CHENG MING introduction]

[Text] After careful treatment and rest, Deng Xiaoping recovered from an illness common to old men, but declined an invitation to attend the closing ceremony of the Asian Games for two reasons: First, he said he lacked the physical ability to do so; and second, he said it was not good to go there to struggle for a seat.

After more than 10 days' treatment and rest in October, Deng Xiaoping recovered from the syndrome common to old men, and the symptom of slobbering stopped. Although his body temperature would rise to more than 37 degrees and he might feel dizzy, on the whole, his health was quite good. The report by CHENG MING reporter Luo Bing in CHENG MING's November issue, saying that Deng Xiaoping suffered from an illness common to old men and not from a serious illness, was correct.

When the Organizing Committee of the Asian Games and the CPC Central Committee invited Deng Xiaoping to attend the closing ceremony of the Asian Games, however, Deng Xiaoping declined the invitation for two reasons: First, his physical ability would not allow him to do so; and second, he said it was not good to go there to struggle for a seat. On 4 October, at an internal meeting on the closing ceremony of the Asian Games, held by Beijing Municipal CPC Committee, Zhang Baifa unofficially disclosed the above-mentioned information.

Zhang Baifa talked about his visit to Deng Xiaoping's home, accompanied by the responsible persons of the State Physical Culture and Sports Commission. He said: "When we entered, we were surprised to see that Comrade Deng Xiaoping looked very well and was no longer breathing heavily. I walked over to him and told him that he looked very good, that he had recovered quickly and was even in better health than the young people."

"Deng Rong shouted in Comrade Deng Xiaoping's ear, and Comrade Deng Xiaoping eventually understood, and said, waving his hand: I am not good any more! The country's future depends on you people!"

"Deng Xiaoping was very happy when talking about the Asian Games. He said: In the Asian Games our athletes received many gold medals; China is big, populous, and has many talents; it should have the spirit of taking the gold medal in every matter!"

Because his health was improving, and seeing so many gold medals won by Chinese athletes, Deng Xiaoping was feeling very good, and he even asked Zhang Baifa about the situation of organizing the Asian Games. Deng said: Take the opportunity arising from the Asian Games to grasp sports, and begin other tasks; so long as we grasp firmly, and walk steadily, work improvement will come.

Zhang Baifa said to Deng Xiaoping: I wish you health and longevity; the people in the whole country wish you health and longevity! When we organize the Olympic Games, we will invite you to attend the opening ceremony!

Deng Xiaoping listened and smilingly said: Good, thank you, I hope you can also successfully organize the Olympic Games.

According to our information, Deng Xiaoping also asked Zhang Baifa about the public order situation in Beijing Municipality. Deng Xiaoping said: For the young people, I suggest: First, education; second, education; third, education. If education does not work, then, we consider other methods. Do not lock them up for minor problems, that was the Kuomintang's way of dealing with the young students.

Deng Xiaoping also said: I watch the Asian Games on television every day; China has won most of the gold medals, and of course it is good; however, we must also help other countries to win gold medals, internationalism should also be developed in the field of sports! Am I right?

Zhang Baifa and the others nodded and agreed, while the responsible persons of the State Physical Culture and Sports Commission said immediately that they would study a plan when they returned to the office.

### **Reportage Continues on NPC Standing Committee**

#### **Adopts Consular Regulations**

*OW3010130690 Beijing XINHUA in English 1115 GMT 30 Oct 90*

[Text] Beijing, October 30 (XINHUA)—China's first regulations on consular privileges and immunities was adopted at the 16th meeting of the Standing Committee of the National People's Congress [NPC], which closed here today.

The 29-article regulations were designed to specify privileges and immunities of foreign consuls and their staff in China so as to facilitate effective operation of foreign consulates on behalf of their home countries.

The regulations, which become effective upon being made public, say that buildings of foreign consulates

may not be encroached upon and Chinese state functionaries must get permission from the head of the consulate or embassy of the foreign country or from anyone authorized by the head before entering the buildings.

Members of foreign consulates enjoy freedom of action and tourism within Chinese boundaries except where access is banned or restricted by the Chinese Government.

The regulations stipulate that opening or hindering mailbags of consulates are forbidden and that Chinese departments concerned should take proper measures to prevent any violation of personal freedom or dignity of officials of foreign consulates.

Members of foreign consulates must get approval from the Chinese Government and go through procedures set by the Chinese Government as regards firearms, according to the regulations.

In addition, those who enjoy consular privileges and immunities should respect China's laws, rules and regulations, and must not interfere in China's internal affairs or use buildings of consulates or the apartments of their members for purposes incompatible with consular business.

#### Session Closes

OW3010192690 Beijing XINHUA Domestic Service  
in Chinese 0852 GMT 30 Oct 90

[Text] Beijing, 30 Oct (XINHUA)—The 16th Session of the Seventh National People's Congress [NPC] Standing Committee came to a close at the Great Hall of the People this afternoon after adopting the "PRC Regulations Governing Consular Privileges and Immunities."

Wan Li, chairman of the NPC Standing Committee, presided over today's session.

The session had a quorum with the attendance of 103 Standing Committee members.

The regulations governing consular privileges and immunities have 29 articles. President Yang Shangkun, by signing Presidential Decree No. 35 today, promulgated the regulations, which become effective upon promulgation.

By means of voting, the session today also adopted the reports presented by the NPC Law Committee, the Financial and Economic Affairs Committee, and the Committee for Education, Sciences, Culture, and Public Health about their examination of NPC deputies' motions referred to these committees by the Presidium of the Third Session of the Seventh NPC.

The session today also approved some appointments and dismissals.

NPC Standing Committee Vice Chairmen Ngapoi Ngawang Jigme, Seypidin Aze, Zhou Gucheng, Yan Jici, Rong Yiren, Ye Fei, Ni Zhifu, Chen Muhua, Fei Xiaotong, Sun Qimeng, and Wang Hanbin attended the session.

State Councillor Wang Bingqian; Ren Jianxin, president of the Supreme People's Court; and Liu Fuzhi, procurator general of the Supreme People's Procuratorate, attended the session as non-voting observers.

During the plenary discussion this morning, NPC Standing Committee members Huang Yukun, Yan Jinsheng, Wang Jinling, Li Xuezhi, Yang Lieyu, Chen Suiheng, Li Chonghuai, Qin Chuan, Liang Lingguang, Fu Hao, and Li Guiying took the floor and commented on revising the law of protecting handicapped people, developing agricultural production, intensifying the operation among overseas Chinese, and bringing into play the supervisory role of the NPC Standing Committee.

#### Song Ping's Speech Published in New Book

OW2810133090 Beijing XINHUA Domestic Service  
in Chinese 0941 GMT 27 Oct 90

[Text] Beijing, 27 Oct (XINHUA)—A ceremony for the premiere release of "Strengthening the Complementary Building of the Village-Level Party Organizations With the Party Branches as Their Core," a book published by the Reform Publishing House, was held today in the Great Hall of the People.

Strengthening the complementary building of the village-level party organizations with the party branches as their core is a pressing task of the current rural work. In August, the Organization Department of the CPC Central Committee, the Central Policy Research Center of the CPC Central Committee, the Ministry of Civil Affairs, the Communist Youth League Central Committee, and the All-China Women's Federation jointly sponsored a forum on the building of the nation's village-level party organizations in Shandong's Laixi County. This book mainly deals with the results of this meeting. Comrade Song Ping's major speech at this meeting is included in this book.

Participants in the meeting noted that the whole country is now implementing the guidelines of the Laixi conference. They hold that the timely publication of this book will have an important significance in helping such grass-roots organizations as grass-roots party branches in rural areas and village committees improve their organizations and raise their work performance.

#### Youli Monument to Commemorate 'ZHOUYI'

OW2610062590 Beijing XINHUA in English  
0215 GMT 26 Oct 90

[Text] Zhengzhou, Oct 26 (XINHUA)—Youli Town, the birthplace of "ZHOUYI" (the book of changes), will be built into a monument commemorating the influential work, according to a decision of the local government.

The town lies in the southern suburbs of Anyang City, in central China's Henan Province. It is from there that the book "ZHOUYI" was born about 3000 years ago. The book went on to profoundly influence Chinese history and culture.



According to legend, the book was written during the Zhou Dynasty (1,066 B.C.—256 B.C.) by Emperor Wen Wang, who was put into prison in Youli Town for protesting against the tyrant Emperor Zhou Wang (B.C. 1,099—B.C. 1066). In prison, Emperor Wen Wang buried himself in the study of the eight divine symbols and finished the masterpiece, "ZHOUYI".

Numerous valuable theories in "ZHOUYI", such as Taiji, Yin and Yang, and the eight diagrams (all Chinese philosophical terms) have spread beyond China, and in a certain sense, have pushed forward world culture. More and more people all over the world are getting acquainted with "ZHOUYI", and in addition, many "ZHOUYI" research institutes have been set up in various countries.

The provincial and city governments have held several seminars, which have been attended by overseas experts and scholars, to discuss the further development of Youli Town. The programs under way include moulding Emperor Wen's statue, erecting a "ZHOUYI" museum and publishing a magazine.

### Military

#### Article Outlines Role of Brigades, Regiments

HK2910121090 Beijing JIEFANGJUN BAO in Chinese  
16 Oct 90 p 1

[Article by Song Qingwei (1345 3237 3262), political commissar of the Jinan Military Region: "Pay Attention to Bringing Into Play the Role of Brigades and Regiments"—excerpted by JIEFANGJUN BAO from a recent speech delivered to a military unit]

[Text] In improving leadership style and carrying out grass-roots construction, it is important to bring into play the role of brigades and regiments. Viewed from practice, the following points are worthy of attention:

First, it is necessary to understand explicitly one's own responsibility. The "Program for Grass-Roots Construction in the Armed Forces" explicitly points out, brigade and regimental offices serve as forefront command posts exercising direct leadership in grass-roots construction. This definition of responsibility determines that brigade and regimental offices are both leadership and executive institutions whose fundamental responsibility is ensuring the fulfillment of all tasks in military units. But some brigade and regimental leading comrades still lack a full understanding of the difference between their responsibilities and the responsibilities divisional offices. They generally follow the work methods divisional offices without considering the specific conditions of grass-roots units. They excessively rely on meetings and documents when guiding work. They are familiar with general guidance but have not done well enough in providing detailed guidance or ensuring services. This suggests that brigade and regimental units should be clear about their responsibilities and bring their role into

play. They should change their method of thinking this way: Because brigade and regimental offices are exercising direct leadership, they should ensure the effectiveness of their guidance and work meticulously; a forefront leading cadre should ascertain the implementation of instructions; he should make a smash when the ball comes, instead of acting as a "second passer."

Second, it is necessary to have a clear idea of the main implementation points. Now work in military units lacks regularity. This is even more so in ideological work, management, and organizational construction. The reason is that leaders at the divisional level do not pay adequate attention to providing guidance. Apart from this, leaders at the brigade and regimental levels lay stress on the fulfillment of rush jobs to the neglect of regular work and on concentrated rectification to the neglect of regular management. Regular work is not exciting enough, neither fame nor praise will come out of its fulfillment. But it is the basis of work in military units. Brigade and regimental offices should concentrate their main efforts on ensuring the performance of regular work. "The most difficult thing is implementing regulations, but the implementation of regulations will yield the best results in work"; "a good party branch is better than money and other things." These comrades' remarks express the need for brigades and regiments to pay attention to regular work.

Third, it is necessary to cultivate the style of hard struggle. Although brigade and regimental offices are close to grass-roots units, there is also the question of whether they can cultivate a thorough work style or work hard. Now some comrades in brigade and regimental offices only have a vague understanding of the situation at the grass-roots level because they are not willing to live or work there; if they go to grass-roots units in the morning, they will return in the evening. If this situation remains unchanged, it will be difficult to exercise direct leadership. Practice suggests that being close to grass-roots units does not mean having a good understanding of the situation there or being familiar with them. The arena on which brigade and regimental offices can perform their talents is in grass-roots units, as is the arena for resolving problems. Only by taking root in grass-roots units and staying there, will cadres in brigade and regimental offices be able to lay a solid foundation for the build-up of military units.

Fourth, it is necessary to form a good combination. Brigade and regimental offices are institutions executing higher authorities' instructions. These offices are also the points where work contradictions are intertwined and concentrated. These special features determine that brigade and regimental offices must proceed from their specific conditions while implementing the higher authorities' instructions; they must form a good combination, thoroughly understand the higher authorities' instructions, and have a good idea of the situation at the grass-roots level so as to form their own methods of thinking and turn the higher authorities' instructions into something practical. In other words, they should not

transplant or copy instructions mechanically or repeat one principle after another. Of course, the higher authorities should not exercise rigid control over brigade and regimental offices. Instead they should leave some room and margin for these offices to maneuver so that they can bring their initiative and creativity into play.

### Economic & Agricultural

#### Article Reports Economic Theory Seminar

HK3010102890 Beijing JINGJI YANJIU in Chinese  
No. 8, 20 Aug 90 pp 25-31, 74

[Article by the Seminar Secretariat, compiled and arranged by Zhang Shuguang (1728 2562 0342) and Song Guangmao (1345 0342 5399), edited by Lin Li (2651 4539), written on 16 Jun 1990: "Summary of the Seminar on Theoretical Questions in Economic Improvement and Rectification, and in the Deepening of Reform"]

[Text] The Seminar on Theoretical Questions in Economic Improvement and Rectification, and in the Deepening of Reform was held in Hangzhou City, Zhejiang Province 13-16 June 1990. The seminar was convened jointly by the Chinese Academy of Social Sciences Economic Research Institute, the State Planning Commission Economic Research Center, the Zhejiang Provincial Academy of Social Sciences Economic Research Institute, the Zhejiang Provincial CPC Committee Party School Theoretical Research Center, and the JINGJI YANJIU editorial department. This was one of the most major conferences held in our country's economic circles over the past year. More than 50 experts and scholars of the veteran, middle-age, and young generations from economic theory research organs, tertiary institutions, and economic management departments in areas all over the country attended the conference. More than 30 academic papers were presented. The conference's core topics were: 1) To deeply discuss the relationship between economic improvement and rectification, and the deepening of reform, and the relationship between the planned economy and regulation through market mechanism. 2) To concretely analyze the achievements and problems in economic improvement and rectification over the past year, and to appropriately assess our country's current economic situation. 3) To forward feasible operational policy proposals on how to continue doing well in economic improvement and rectification, and in the process by which the reforms are being deepened through economic improvement and rectification. Under the precondition of adhering to the four cardinal principles, and in accordance with the spirit of "letting a hundred schools of thought contend and allowing a hundred flowers to blossom," to engage in discussion with everyone speaking without inhibitions and expressing his own view on the major theoretical and practical questions in our country's current economic life. This seminar indeed will play a positive role in enlivening the academic atmosphere and promoting the deepening of research into socialist economic theory.

Below, we will provide a survey of the major questions and developments discussed at the conference.

#### 1. The Question of the Relationship Between the Socialist Commodity Economy, and Planning and the Market

The question of the relationship between the socialist commodity economy and planning and the market is a major theoretical and practical question in socialist economic theory in our country's economic reform and development, and it attracted great interest from the delegates. Everybody intensely discussed the relationships between the public ownership system and the commodity economy, the planned and commodity economies, the public ownership system and the market, and the planned economy and regulation through market mechanism.

Some people held that the public ownership system and the commodity economy were able to coexist and operate together. This is because the commodity economy's full development is at a stage that cannot be passed over in the development of a socialist economy, and it is only through the process of development of the commodity economy that the socialist public ownership system can be perfected gradually. However, differences and contradictions exist between the public ownership system and the commodity economy. These are manifested in: 1) The contradiction between the whole-people ownership system, with the integral nature of its economic interests, and the independent nature of the economic interests sought by the commodity economy. 2) The contradiction between the jurisdictional relationships within the whole-people ownership structure and the equality demanded by the commodity economy. 3) The contradictions between the organizational nature of economic development work under the whole-people ownership system and the spontaneity of the commodity economy. Thus, we need to pay attention both to consolidating and developing their mutual compatibility, and to alleviating and overcoming their differences and contradictions. The avenue for this is that "each will be appropriately readjusted so that it can fit in and accord with the other." That is, on the one hand, in accordance with the demands of the commodity economy, we must reform the forms of existence of the whole-people ownership system, and through separation of the two powers at three levels, must redefine the property rights relationships of the whole-people ownership system: At the first level, that of whole-people and state organs, we need to implement, a separation of legal and economic ownership rights with respect to whole-people assets. At the second level, between state asset-management departments and enterprises, we need to bring about a separation between economic ownership rights and the actual rights of appropriation (and of operation) which enterprises have over whole-people assets. At the third level, within enterprises, we need to achieve a separation of the actual rights of appropriation and the rights of operation of whole-people assets. Through these separations, the whole-people ownership system's internal structure will



be remolded, which will result in whole-people assets having a simulated property rights boundary. On the other hand, in accordance with the public ownership system's essential requirements, the commodity economy's development orientation should be standardized: 1) We should guide the commodity producers and operators, so that while safeguarding their own material interests, they also are considering society's overall and long-term interests, insofar as possible. 2) Commodity producers and operators should voluntarily accept the guidance and regulation of state plans. 3) The scope of commodities should be clearly set down, as we do not want noncommodities and things that should not be commodities, flowing into the commodity circulation sphere.

As for how to combine the planned economy and regulation through market mechanism, this question was much debated, with many different methods being proposed. One idea, very different from those in the past, was put forward by several representatives. They held that, proceeding from the practice of our country's 10 years of economic reform, the economic circles' understanding of the "theory of concurrent existence (combination) [ban kuai (jie he) lun 2647 1040 4814 0678 6158]" has gone through a process of negation of negation. Some people held that although we were critical of the "concurrent existence" theory and proposed "the theory of osmosis," "the theory of organic combination," "the theory of two complete overlappings," "the theory of two adjustments," and other such theories, and although "osmosis" and "gluing together" reflected and described the theoretical plane of the combination of the two, there was no way to concretely implement this, and in practice the microeconomic entities' activities still would suffer antagonism and friction between planning and the market. While the relationships between overall and partial interests, among forms of fund accumulation, among various degrees of market development, and between overall supply and demand, have not been put in order, we must implement the "concurrent existence" form of combination between planning and the market. Some people, after summing up the theory and practical process of reform with respect to the relationship between planning and the market in our country, pointed out that the structure prior to the reforms was basically a model according to which resources were deployed through administrative order, and this was the reforms' point of departure. The resource deployment mode formed in the early part of the reforms was a model in which administrative orders were the main part, and the market provided a supplement. This model was planned in the middle of the 1950's, in accordance with the experiences of the First Five-Year Plan. Subsequent to 1984, our country's resource deployment was a dual system model in which administrative orders and the market were "organically combined." However, this model violated the reform planners' original intentions, and rather than bringing the advantages of both into play, the disadvantages of both came to prominence. That is, the original innate desirable characteristics of

the two systems were lost, while the two systems' problems were retained. Thus people proposed the "new concurrent existence" model, which had the market as the main part and administrative orders as a supplement. This model's implementation would result in the market becoming the main deploying agent for scarce resources, while administrative measures, as a supplement to the market and in some ways replacing it in resource deployment, would play an active role in creating conditions for the market's normal operation and for overcoming some of the market's shortcomings.

This is not only in accord with the natural logic of developing a modern commodity economy, but also accords with the principle of "if good results are achieved in regulation through market mechanism, we will use the market to regulate; while if good results are achieved through administrative regulation, we will use administrative measures to regulate." In this way, structural reform will be able to center and develop around three basic aspects: The establishment of enterprises that make their own decisions on operations and are responsible for their own profits and losses, the formation of a competitive market system, and the formation of an indirect administrative regulatory and control system. The new model basically breaks through the idea of administrative deployment of resources, and allows a full switch to the track where resource deployment is carried out through the market.

## **2. Economic Improvement and Rectification, the Deepening of Reform, and Their Relationship With Economic Development**

The relationship between economic improvement and rectification, and the deepening of reform, and the relationship between improvement, rectification, the deepening of reform, and economic development were key topics that were intensely discussed by the conference delegates. Through discussion, a quite unified view was reached, which was that improvement, rectification, and deepening of reform are not the goal. Rather, improvement and rectification are intended to create a relatively relaxed economic environment for a stable economy and for reform and development. Deepening reform is intended to provide better structural conditions for the economy's sustained, coordinated, and stable development. Reform is to be used to promote stability, and development will be sought through the stability. Only thereby will there be long-term reliable development. Thus, we cannot separate improvement, rectification, and deepening of reform from economic development. Rather, we need to link them together, seek progress through stability, and gradually push the economy toward a benign cycle.

On the questions of whether or not, how, and to what degree we can deepen reform during the period of improvement and rectification, there existed differences of opinion. Those who advocated deepening and increasing reform during the period of improvement and rectification held that over the last 10 years there had



been excessive urgency for results in reform and development, and that the pace had been too great, which led to overall quantitative and structural imbalance, producing serious inflation and disorder in the market. Improvement and rectification is intended to cure this problem. In the early period of the reforms, in a situation in which too much power had been handed down, enterprises allowed to retain too much profit, and control and regulatory powers weakened, it was necessary for improvement and rectification to stress a little more centralization, a little more planning, and a little more government control. This was not an about-turn in the reform's orientation, but an improvement of the reform measures. Not only this, but it is not feasible for improvement and rectification to rely solely on strengthening administrative measures. Such a method can resolve the shallow problems of imbalance between overall volumes and can achieve instant results, but it cannot resolve the deep-level problems of structural imbalance and decline in benefits. The source of these problems lies within the economic mechanism and must be resolved by transforming or improving that mechanism. Thus we must adopt further measures for deepening reform and should gradually increase the amount of reform while continually persisting with improvement and rectification. Some other people, on the basis of judgements on the "stipulation of the sovereign power" and "sovereign power characteristics" of the economic movement mechanism, engaged in comparative analysis of economic readjustment under the two different systems—one in which planning had sovereign power and one in which there were plural sovereign power entities—before and after the reforms in our country. They held that the improvement and rectification we are engaged in now is not ordinary "microreadjustment," like the economic readjustment in the early 1960's, but a major, sudden change in the process of economic movement. The contradictory interests among the various major entities determine that the normal situation in our country's economic movement is an overheated one. This is characterized by the coexistence of shortages and excessive growth, while economic readjustment is manifested as a coercive extraordinary process initiated and implemented by the planners to interrupt the normal situation of economic operation. Under the system in which the planners have sovereign power, as the economic overheating is produced by the planners' "impulses for growth" and "mistakes in planning," the planners are both the subjects and the targets of readjustment, and thus economic readjustment becomes a process by which planners correct their own mistakes and limit their own actions. In addition, under this mechanism, everything is decided by the planners, and other entities cannot directly participate in guiding economic actions or deciding economic variables. If the planners have long-term, overall economic development goals, readjustment can be implemented smoothly and the anticipated goals can be achieved. However, with a mechanism in which there are multiple sovereign power entities, shortages and excessive growth arise not only from planners' impulses for increases, but primarily

from the competition in interests and the friction resulting from different interests existing among the different industries that constitute the major entities. They occur in a situation in which the various industries that make up the major entities can apply both direct and indirect influence on the process of economic movement. Thus, the regulation's targets are not just the planners, but also the other industries that constitute major industries. This not only separates the subjects and the targets of readjustment and sets them against each other, but also makes the readjustment process a game of social chess, with the planners, who constitute the subjects of readjustment, on one side and the industries that, as major entities, constitute the targets of readjustment, on the other. Thus, with a mechanism in which there are plural sovereign power entities, it is very difficult to begin real readjustment. If we are to really carry out readjustment, the planners can adopt two methods: 1) Formulate a series of punishment measures, by which units and responsible persons who do not implement readjustment decisions are punished. This would require supervision and inspection, and would not resolve the problem. 2) To directly change the tactical space in which grass-roots-level units can make decisions. This will require a partial or complete retraction of the decision-making powers handed down to them, and would mean changes in the operational mechanism: Strengthening the role of planning or returning completely to the mechanism that has planning as the sovereign power. We can see that the economic movement mechanism that can most effectively carry out economic readjustment is the mechanism that has the planners as the sovereign power. Proceeding from this, the people who held this view maintained that except for the following two aspects, improvement and rectification, and the deepening of reform are contradictory, and it is very difficult to organically combine them. These two points are: 1) The carrying out of improvement and rectification will halt the overheated growth and alleviate various contradictions, and this will create conditions for further reform after the completion of improvement and rectification. 2) Reforms that have a market orientation are to be implemented on the basis of the socialist commodity economy and are not to exclude planned management or involve "complete marketization." Planned management should be strengthened over those economic activities that the reforms have made subject to the market but which should not have been, since they have thereby experienced an abandonment or weakening of planned management. Such strengthening will benefit the economic mechanism transfer for those economic activities that should be made subject to the market.

### 3. On How To Correctly Appraise the Results of Improvement and Rectification

Setting out the aim of economic improvement and rectification is a precondition for people to appraise the results of this improvement and rectification. Some people held that the main goal of improvement and

rectification is to cut back money supply and control inflation, so as to bring down the temperature of the overheated economy. However, other people held that the aims of improvement and rectification should be divided into different stages. The cutting back of the money supply, the controlling of inflation, and the reduction in the speed of economic growth are just the goals of the first stage. After the first-stage goals are achieved, the improvement of the industrial structure and elimination of the fiscal budget deficit should become the major goal of the second stage of economic improvement and rectification.

Analysis of the effectiveness of improvement and rectification generally have been carried out looking at the first-stage goals. Some people hold that economic improvement and rectification has already achieved its goals. The rate of inflation has come down already, economic growth has fallen over 10 percent, and money supply has become quite tight. As it has already achieved its goals, the results of the first stage of economic improvement and rectification should be fully affirmed. Some people have done some specific accounting on this matter: In 1989 there was a curtailment of capital construction investment to the amount of 50 billion yuan. This means that final demand for means of production was reduced by 30 billion yuan. The other 20 billion yuan was changed into consumption demand and was also lost. Guaranteed-value deposits and government bonds resulted in social purchasing power declining 27 billion yuan, and social group purchasing power was curtailed by 11 billion yuan. The total of the various cutbacks was equivalent to over 10 percent of annual national volume of retail sales. Thereby, the scale of total demand and supply have been basically balanced and now the difference between them is not great.

Others hold that not only has the economic improvement and rectification achieved its goals, but has "surpassed its goals," that "the medicine has had too much effect" and "the temperature has been reduced too much." This is concretely manifested as financial control being too tight and contraction being too excessive. Some areas even stipulated that in 1989, 50 percent of all credit had to be recalled. It is difficult for units to invest. Floating fund credit also has been made extremely tight. Added to this, intermediate demand has been greatly weakened by the requirements for restricted operation and limited prices. Some people have made some calculations: In 1989, price rises ate up 82.1 billion yuan in currency, while the increase in output value and economic development required a corresponding increase in money of 199 billion yuan. In the first quarter of this year, another 18 billion yuan was withdrawn. The combined amounts of these three elements mean that the actual amount of currency in circulation at present is only 71 percent of the appropriate volume of currency circulation, a money supply shortfall of 29 percent, meaning that inflation has already changed into deflation. The present problem is no longer that of excess overall demand, but an insufficiency of overall demand,

specifically manifested in the weakness of the market, slow sales of commodities, and serious stockpiling, leading to an intensification of "triangular debt."

The people who held the opposite view considered that although economic improvement and rectification had already achieved many results, it had not yet achieved its goals and that overall demand, and especially latent demand, were still very great. Thus, holding down demand and tightly controlling money are still major tasks for some time to come. The problems that have appeared recently of some commodity sales not being brisk and some enterprises stopping or reducing production, are phenomena that cannot really be avoided in readjusting the economy and reducing the overheating. We cannot sweepingly say that market sales are weak. The weakness' major cause is that in the early stage there was overly swift development of domestic electrical appliance production and other processing industry production, as well as of low-quality, high-priced products. Some of these producers should be weeded out or forced to reduce production through competition. Some of the weakness is a temporary phenomenon; its scope does not exceed about 20 percent. Seen from the near-term, the tiger of 700 billion yuan in surplus purchasing power is waiting. If we are even slightly careless in our policies, the tiger may well jump out of its cage. Seen from the angle of mid- and long-term development prospects, the repayment peak is coming; we need to arrange new employment for those reaching working age, to improve the people's lives, and to increase comprehensive national strengths. All of these elements may become a pressure, increasing the volume of demand. In particular, we cannot ignore the fact that within the current system there still exists the mechanism for self-inflation, and at any time, the inflation mechanism might "rebound." A rebound of overall demand inflation may appear not only after the improvement and rectification tasks have been completed and before the new system's effective control mechanisms have been properly established, as soon as there is some loosening of administrative control. Rather, even in the current process of improvement and rectification, when temporary difficulties and pressures are experienced in various respects, if we relax our controls it may also result in inflation rebounding. Thus, for the next two to three years, we should put improvement and rectification in the primary position, and must not relax our vigilance with respect to the overheated economy or shortages because market sales of some products are not good.

As the opinions differed on whether or not improvement and rectification has "achieved its goal," the assessments of the outstanding problems presently facing our country—market weakness and economic slide—also saw corresponding differences. Those who held that the goals had already been achieved or had been over-achieved were very concerned about the market weakness and the economic slide. They saw these as major problems and held that there was a major decline in total commodity



retail sales in 1989, and that there had been no change for the better in the first half of this year. This has not happened in the last 27 years in our country, and the size of the decline certainly cannot be seen as a normal effect of improvement and rectification. Some people have specifically analyzed the problems that have derived from the market weakness and economic slide, such as the increase in enterprise stocks, poor circulation of funds, closing down or reduction of production, increased unemployment, and so on. In brief, the people who hold this view feel that market weakness and economic slide have become the cause of the confusion in the reproduction mechanism and the disorder in economic movement. They are crucial problems restricting our country's economic life and are bad things.

However, quite a number of other people held that poor market sales and the fall in the rate of economic growth are not bad at all. These are the results of a series of improvement and rectification policies and measures, and the effects of the initial efforts to shake off the strategic inertia and structural viscosity of overheated economic growth. They actually reflect the shift from a booming seller's market toward a limited buyer's market and manifest the change from extraordinary growth toward stable growth. This is the fine opportunity we dreamed of in the past, but were unable to achieve. Some people did quite a specific analysis of this and held that the decline in economic growth, on the one hand, is a result of cutting back on strengths, making up deficiencies, and carrying out structural readjustment. On the other hand, it is a part of the social cost of the high growth rate in the last few years. Under conditions of a set technological level and labor productivity, structural readjustment inevitably will lead to a contraction of the boundaries of possibility in social production, and in the active process this means that the speed of economic growth will decline. It is not possible to engage in improvement and rectification without the speed of economic growth declining. The reason people are worried about poor market sales is that they still are not familiar with and lack an understanding of the buyer's market, wrongly considering it to indicate insufficient demand. Other people who hold the same idea consider that market weakness and the decline in the speed of economic growth are due to the role of cyclical economic factors and are not entirely the result of improvement and rectification. In 1989, in the mid- to long-term fluctuations, consumption and fixed asset investment were due to reach a low point anyway. The improvement and rectification measures merely accentuated this decrease. Otherwise, the improvement and rectification could not have caused such a serious decline in market sales or such a great decline in economic growth.

#### **4. How Are We To Continue Adhering to, and Doing Well in Improvement and Rectification?**

Proceeding from an assessment of the results of improvement and rectification and the current economic situation, many delegates held that at present our country's

improvement and rectification actually has two stages or levels. The first stage, or surface level of improvement and rectification, is coping with the emergency by reducing the temperature and curtailing excessively inflated overall demand. This task has been basically completed, and control of overall volumes has been basically achieved. Now there is a need to enter the second stage, or deep level of improvement and rectification. In this, the main task is to replace excessively wasteful production capacity and to readjust and improve the economic structure. This is a more difficult task than the first stage. However, there were different ideas on the contents, orientation, and policies to be adopted in continued adherence to and doing well in improvement and rectification.

In accordance with positivist analysis based on statistical data over the last few years, some people hold that investment is no longer the main cause of demand inflation. The trends of income distribution toward individuals and higher consumption by residents have led to an excessive growth in processing industries and also have resulted in a weakening of investment capacity. Thus, at present not only does economic start-up require a suitable expansion of investment demand, but the maintenance of an appropriate investment rate is a necessary condition for promoting structural readjustment and strengthening economic vigor. They advocate increasing the proportion fixed asset investment constitutes in the amount of GNP utilized, and that this investment be used mainly to increase investment in the transportation, communications, energy, and raw material sectors. Proceeding from their assessment that imbalance in overall volumes has been delayed and structural imbalance is like before, some people advocated focusing improvement and rectification on structural readjustment. However, structural readjustment has to rely not only on readjustment of flow volumes, but during improvement and rectification also must rely on stock readjustments. That is, there must be reliance on stopping, closing down, merging, changing the production of or linking up existing enterprises, and reliance on the readjustment of existing production capacities.

Analyzing the cause of our country's economic imbalance, some people held that the excessive overall total demand cannot be explained from the angle of overall demand itself. Rather, reasons should be sought in the rate of technological progress, the employment situation, the price structure, the market environment, and so on. Thus, they sum up our country's economic imbalance as an imbalance brought about by supply shortage. On the basis of this understanding, they advocated that in the basic policy choices during improvement and rectification, supply management policies should be the main part, with demand management as a supplement. This is because demand management policies have difficulty in achieving the optimization of enterprise scale and sectoral structures. On the other hand, the supply management policies' basic characteristic is the achievement of economic balance through increasing supply. It has the



enlivening of enterprises as its center, and has technological progress and improving productivity as its contents. It seeks the achievement of a normal circulation order, the improvement of the market organization, and the raising of resource distribution efficiency. At the same time, it has the effect of dampening demand, and thereby the problem of structural imbalance can be smoothly resolved. The retrenchment policies' role lies in controlling growth in demand and in creating conditions for achieving supply management policies. When the supply management policies are being implemented, the aim of retrenchment policies is to control the two major money supply in-flows—credit and the financial administration—so that they accord with the actual demands of the economy. They are thus preventative measures.

Some people held different ideas on this matter, feeling that our country's economic imbalance has been created by the contradiction of interests and the struggle for distribution among the various industries that constitute the economy's major entities. They put forward the "theory that the shortages are determined by demand" and that under the current mechanism, as long as these interest contradictions exist, regardless of the scale of overall supply, overall demand is always greater than overall supply, and regardless of how much supply grows, overall demand will grow more quickly. This creates a situation in which overheating is normal, a situation characterized by shortages and an excessive speed of growth. Thus demand management policies are the policies that should be first adopted in improvement and rectification.

They hold that such policies should be appropriately maintained. Not only this, but as the mechanism under which the economic readjustment is being carried out is one in which the planners have sovereign power, it seems that during the improvement and rectification, the management policies still will have to be implemented through reliance on administrative measures, whereby there is a department-by-department analysis, and the low-efficiency enterprises are weeded out, thereby promoting structural readjustment.

Some people have pointed out that in order to promote the readjustment and reorganization of the enterprises, it is necessary to adopt firm measures to overcome the "three major obstacles": With regard to the relationship with the financial administration, under the precondition of not affecting existing financial contracts, simple and flexible measures should be sought to resolve this matter; ownership rights relationships could be transferred between state-owned asset management departments in different areas and sectors, and also could be linked temporarily; administrative jurisdiction relationships must not be used as a reason for obstructing alliances and mergers between enterprises. As long as enterprises themselves are willing, they should be able to change or sever their jurisdiction relationships. As to the readjustment of the product mix and internal structural readjustment of enterprises, government departments

and banks should provide consultancy, suggestions, and financial support, on the basis of serious investigation and analysis.

#### **5. During Improvement and Rectification, the Amount of Reform Should Be Gradually Increased**

That the amount of reform should be gradually increased during the improvement and rectification was a quite uniform call from this research seminar. The vast majority of the representatives held that in future economic work, the further deepening of reform and gradually placing increased stress on correcting the structural defects is not only necessary, but is a feasible option. The discussions generally developed around three aspects: The reform environment, the overall goals of reform, and the specific operations of reform.

Quite a number of people held that through more than a year of improvement and rectification, the economic environment has become more relaxed, and that this is an excellent opportunity for deepening reform. We can utilize the various buyer's market tendencies that have emerged recently to promote a few reform measures that could not have been implemented before because the economic environment was too tight and the pressure of inflation too great. These include pricing reforms in which readjustment and freeing of prices are combined, the separation of government and enterprise functions, enterprise reforms oriented toward separation of the two powers, as well as coordinated macroeconomic reforms. In brief, only now have we attained the economic environment necessary for overall development of deepened reform. At the same time, the administrative measures adopted since the beginning of the economic improvement and rectification in the fourth quarter of 1988, especially the temporary, abnormal measures—like closing markets, requiring specialized operations, openly or covertly freezing prices, and so on—should be gradually abolished, as we now have established the conditions for implementing various types of economic measures to replace them.

However, there also was a minority of people who set out that it is necessary to engage in specific analysis of the relaxed environment. There are two types of relaxed environment: One type is the relaxed environment implemented by force through administrative orders. The other is the relaxed environment formed naturally through reform and economic movement. The former has no significance, as it is not stable and the relaxed situation can turn into a tight one at any time. The present economic situation in our country is this first sort of relaxed environment, and measures for developing reform cannot be fully developed in this sort of environment.

The people who advocated the gradual increase in the amount of reform generally had consistent ideas on the reform's overall goals. They quite uniformly held that deepening economic structural reform requires finding an appropriate form that can manifest a combination

between planning and the market. As compared to the traditional system, which excluded the market mechanism, the reforms will take the market as their orientation. However, the market-oriented reforms will not exclude planning guidance or macroeconomic control. Rather, in the process by which the market-oriented goals are approached, there will be a need to strengthen and perfect planned regulation, control, and guidance so that the reforms advance in the direction of organic combination between planning and the market.

However, there were a few other people who advocated that deepened reform should adhere to the target model, which has the planned economy as its main part (some people referred to this as a commodity planned economy) and opposed the market-oriented reforms that had "the state regulating and controlling the market and the market guiding enterprises" as their main movement mechanism. Their main reasons were: 1) This target is actually intended to introduce a market economy entirely regulated by the market. 2) In a state where the market system is not perfect, there is no way to achieve a situation in which "the state regulates and controls the market and the market guides the enterprises." 3) This target model's critical aspect is that it negates mandatory planning, while mandatory planning is the core and essence of socialism. 4) This target model will inevitably lead to labor becoming a commodity, but in a socialist commodity economy labor cannot become a commodity. 5) Socialism must not only have a public ownership system, but also must have a state ownership system. "The state regulating and controlling the market and the market guiding the enterprises" does not match with the state ownership system. The majority of the delegates held views different to this.

Many conference delegates expounded on specific ways to deepen reform. During the discussions, stress was placed mainly on the reform of three aspects: The enterprises, the market, and the macroeconomic management system. On enterprise reform, quite a number of ideas stressed putting property rights relationships in order, and doing well in building an enterprise organizational system and implementing the shareholding system in large and medium-sized enterprises. However, there were differences as to the specific ideas for the shareholding system. Some people advocated a shareholding system in which there are both public and private shares, but in which the shares cannot be bought or sold, so as to guard against the problems of speculation. Other people advocated the implementation of a real shareholding system under which shares can be transferred and sold. There also was debate about the right time to implement a shareholding system. Some people argued that it is feasible to implement a shareholding system in the near term, and that if the shareholding system is not implemented quickly, there will be no way to eliminate short-term actions by enterprises, and enterprises cannot become real economic entities that decide on their own operations and take sole responsibility for their own profits and losses. Other people advocated that we

should stress the improvement of the contract system in the near term, and then make the transition to the shareholding system later. The orientation for improving the contract should be: 1) There should be development from tax and profit contracts to contracted responsibility for assets and for other income. On the basis of different industries and regions, different levels of average rates of earnings on funds should be set down, and thereby contract base figures should be stipulated accurately. 2) There is a need to implement "different streaming for profits and taxes, contracts for post-tax earnings, and repayment of credit only after taxes have been paid." 3) Within enterprises, there is a need to form a distribution mechanism with interlocking restraints among the total volume of wages, the taxes and profits realized, asset growth, and the labor productivity of the entire staff. Only when the contract system realizes such a level of completeness will there be sufficient stability to make a gradual transition to the shareholding system. On the question of enterprise reform, there were other people who did not agree with the idea of putting near-term stress on the large and medium-sized enterprises. Rather, they suggested, the process should begin with small enterprises, and the small enterprises should be contracted out, leased out, or sold. Only when the small enterprises' reforms are going well should reforms be instituted in the large and medium-sized enterprises.

On the question of the market mechanism's reform, much discussion was centered on reforming the price mechanism and the semiclosed, separate local markets, and establishing a national unified market. A quite widely held view was that the present is a good opportunity for carrying out price reform, and that the freeing of prices should be taken as a major orientation in the near future. However, there were different views on the appropriate point of stress in near-term price reform.

Some people advocated that stress should be placed on freeing the prices of color televisions, refrigerators, and other consumer goods in the near term, and that restricted operations and limited prices should be done away with. The reasons for this are that at present, the results of improvement and rectification are not stable, but it is quite safe to reform the prices of such consumer products as are not intimately related to the national economy. At the same time, these consumer products already have a quite strong production capacity and quite plentiful material guarantees, so after prices are freed, it will not produce shocks in the market. Further, the freeing of prices will, to a large degree, eliminate consumers' expectations that prices will continue to fall, and they will change their attitude of watching and waiting. Some people said that reforming the dual pricing system for means of production should be the price reform's main aspect in the near term. Different methods could be adopted for bringing the dual prices of different types of means of production onto single tracks. For example, with respect to a small number of important means of production which the state controls by monopoly and which are in short supply, a unitary



planned price could be formulated in accordance with the average level of the planned and market prices; general means of production for the masses could have their prices freed; and so on. In brief, in the process by which dual prices are changed to single prices, a small portion of products should adhere to the planning track, while the majority of prices should follow the market track.

Another important part of market reforms was the question of establishing a national, unified market. The delegates generally agreed that local protectionism is a major obstacle to the establishment of a national, unified market, and that the duplication of industrial structures is the major manifestation of local protectionism. However, in the near term, the elimination of local protectionism is not realistic and thus reform measures in this aspect should not be implemented too urgently. The reforms should be implemented gradually, following the price system's gradual putting into order. Otherwise, it may lead to an intensification of the contradictions between the central and local authorities, producing unnecessary harm and shocks. There were other people who proposed the establishment of local common markets.

On the reform of the macroeconomic regulatory and control mechanism, a large number of delegates held that this would be an integral part of the reforms in other aspects, and that without reforms in this area, the reforms in other areas would be difficult to implement. However, some other people greatly stressed the reform of the macroeconomic regulatory and control mechanism, holding that if reforms in this aspect were carried out well, market reform would be easy and it will be easy to form a national, unified market. For example, some delegates said that if the existing financial administration system were reformed and the "separate taxes system" instituted and if the banking system were reformed and banking organs established on the basis of economic rather than administrative regions, local government controls could be thrown off and both short-term activities by local governments and the two major props of local protectionism could be eliminated.

As to which of the three areas of reform above was the core problem, some delegates stressed the macroeconomic regulatory system's reform, but the majority felt that enterprise reform should be the core and price reform should be the breakthrough point. They held that if enterprise reform could be carried out well, markets then would have entities, so indirect regulation and control would be effective. However, other people held that we should not stress one or the other of the three reform areas, and felt that they should be implemented and pushed forward together.

Apart from reforms in the three areas mentioned above, during the discussions some people explained their ideas for wage and social security system reform. In these discussions, some people advocated that the labor system reform first should guarantee high-quality labor priority in choosing employment. At the same time,

large-scale labor accumulation and widespread intelligence accumulation should be instituted, so as to reduce labor time and raise unit-time efficiency. Wage reform also might implement the model whereby enterprises can freely decide on labor deployment arrangements, while the state controls the level of income.

#### **Forum Held on Economic Improvement, Rectification**

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["Forum on the Theoretical Questions in Economic Improvement, Rectification, Deepening of Reform and Economic Development," edited by Song Jian (1345 1696)]

[Excerpts] **Add Weight to Reform in the Course of Improvement and Rectification To Achieve Sustained, Steady, and Coordinated Development in the National Economy**, by Liu Guiguang [0491 0948 0342] of the Academy of Social Sciences of China

Be it improvement and rectification or deepening the reform, they are not the targets but only the measures, and their objective is the sustained, steady, and coordinated development of the entire national economy. Improvement and rectification are for creating a relatively lax environment for the reform and development while reform is to provide the structural conditions for the economy's sustained, steady, and coordinated development so that, through improvement and rectification, economic stability is realized; while in stabilizing, reform is deepened; and again through deepening the reform, stability is pushed and facilitated; and in stability, development is achieved. This should be the basic guiding thought in our economic work from now on. We should by no means separate the three sides of improvement and rectification, deepening the reform, and economic development.

In reviewing the process of our country's economic development over the past 40 years, it is found that our country's economy all along has not been able to realize the ideal objective of a sustained, steady, and coordinated development but has shown the special feature of large fluctuations. In recent years, the old ailment has again appeared, resulting in the need to take three years and even longer for treatment. Among the economic circles, one viewpoint believes that economic fluctuations and cycles are of a definite and inevitable nature. Naturally, certain aspects of economic development may show a certain period nature, fluctuations in the economy, to a definite extent, are quite normal, but large rises and falls cannot be said to be regular and cannot be considered normal. This being the case, what are the causes for the large rises and falls in our country's economy? Summing up, the causes are first, errors in policy; and second, defects in mechanism.

Errors in policy principally consist of, in the guiding thought on economic development, deviation from national conditions, surpassing the national strength, anxiety for early results, and one-sidedly seeking an



over-large construction scale and over-high growth rate. Hot-headedness has caused economic over-heating and when the heating of the economy has come to an irresistible state and the ability to bear on the part of the national economy, particularly of the bottle-neck departments, has nearly reached the limit, the economic measures of drastically stepping on the brake have to be applied, thus making it unavoidable to have "large falls" in the economy. As soon as the conditions have turned for the better, the head becomes heated again and another round of large rises and large falls follows. Historical lessons have reminded us not only that in the period of improvement and rectification but after the basic fulfillment of the tasks of improvement and rectification, we must still, for a prolonged period, firmly insist on the guideline of the sustained, steady, and coordinated development of the national economy.

Defects in the mechanism consist of the original drawbacks causing inflation in gross volume in the traditional and existing economic structure. There is no need to mention again the hunger for investment, the eagerness for quantitative enlargement, and the inflationary effects they have generated in the traditional structure. Since the reform, due to the over-emphasis on delegating power and ceding interest to the local governments with no adequate coordination from other reform measures and, particularly due to the neglect of setting up, solidifying, and hardening of the various restrictive mechanisms, such as responsibility control and budgetary restrictions while the macroeconomic regulatory mechanism has not been correspondingly improved and perfected, a situation has been created in which power and interest were irrelevant with responsibility and control and, on the one hand, there was strengthening of the microeconomy's inflationary mechanism but, on the other, the microeconomic self-restrictive mechanism and the macroeconomic regulatory mechanism did not grow or develop correspondingly. Even more, it has happened that the adjustment and control mechanism was in "neutral gear" or out of position: While the new indirect adjustment and control mechanism has not yet been perfected or even not in existence, the original direct adjustment and control measures were too early and too much negated and, before the enterprises and the local governments had set up their self-restrictive capacity, the central authorities' macroeconomic adjustment and control ability had already been greatly weakened. All this has caused, in these few years, the over-heating of the economy and disorder and confusion in the structure. Needless to say, the causes of all these ailments can only be gradually removed through all-around deepening of reform and enforcing the mechanism's change.

After a year's thorough implementation of the guideline on improvement and rectification, the preceding several years' policy errors have been gradually rectified and the guiding ideology of a sustained, stable, and coordinated development of the economy has begun to be established but the mere existence of a correct ideology cannot

ensure the realization of a prolonged sustained, stable, and coordinated development of the economy. The problem of the mechanism's defects all the more needs our earnest consideration and treatment. This is because, as mentioned previously, in the existing structure, the self-inflation mechanism still exists. Not only that after completion of the improvement and rectification tasks and before the perfection of an effective restrictive mechanism in the new structure, once administrative control is loosened, there is the possibility of the appearance of a rebound in the inflation of the gross demand but also even in the course of the current improvement and rectification due to the pressure reflected by the temporary difficulties met with by the various sides, a rebound may also appear in that we may possibly be forced to relax our control. In fact, the currently lurking demand which is hiding is still rather large. The least bit of carelessness may lead to the appearance of a new inflation. In order to prevent the situation of the hidden demand being transformed into actual demand, the rebound of the inflation mechanism, the reappearance of inflation of the general demand, and over-heating of the economy, it is necessary, on the one hand, to avoid policy errors in the guiding ideology and, on the other hand, to grasp the opportunity for reform, push forward reform of the mechanism itself, and overcome the defects of the mechanism. Only by so doing will it be possible to avoid the occurrences of drastic fluctuations and put the national economy onto the track of sustained, stable, and coordinated development.

In rectifying the mechanism's defects, we must proceed according to order and arrange well the steps of reform. During the period of concentrating strength on carrying out improvement and rectification, due to the economic environment and order not yet having recovered normalcy, the reform's steps cannot be too big, and principally we should revolve around improvement and rectification and emphasize stabilizing, filling in, readjusting, and improving the preceding years reform measures such as perfecting the contracted responsibility system, and so forth. However, when and as improvement and rectification have achieved more and following further improvement in the macroeconomic balance and market order, certain rather large reform measures may take the opportunity to go on stage. For example, last year we adequately raised the contractual purchase prices of grain and cotton, the prices of salt and salt products; in September of last year raised on a large scale the fees and charges on the railways, civil aviation, and water transportation; and in December we readjusted the foreign exchange rates, and so on. It can be entirely imagined that if we had enforced these measures several years ago when the economy was overheated, then it would have produced a chain reaction, and accelerated the rise in commodity prices like adding fuel to the flames. On the contrary, last year, after strictly controlling credits and loans and the issuance of banknotes and easing the people's anticipation of a rise in market prices, these price adjustment measures did not cause any violent

reaction or verberation. This shows that following the intensive enforcement of the improvement and rectification and the economic environment tending to become more relaxed, adequately stepping up reform measures not only is necessary but is also workable. For example, we may well utilize certain buyers' market trends which have newly appeared to push forward certain reform measures which could not have been carried out on account of the originally tightened economic environment and the enormous pressure of currency inflation; measures such as price reform embracing the integration of "adjusting" and "opening up," separation of government from enterprise functions, enterprise reform in the direction of separation of the two powers, as well as reform on the sides of the financial taxation system, banking and currency structures all of which have been sorely needed for the establishment of the macroeconomic administration structure principally based on indirect adjustment and control. These reform measures must serve the current improvement and rectification on the one hand and help create the structural conditions for the economy's long-term sustained, stable, and coordinated development, on the other. Following the basic fulfillment of the tasks of improvement and rectification, the reform's steps can be larger.

Despite the turning for the better in the environment needed for economic reform, currently our country is still facing problems of "two-sided" difficulties: It is necessary to watch the currency situation, control demand, and stabilize commodity prices but there are fears of depressing the market and affecting the speed of development; it is necessary to loosen the money market to stimulate economic growth but it is feared that over-brisk demand may cause a further rise in commodity prices; it is necessary to stabilize commodity prices but further distortion of prices is feared; it is necessary to smooth out prices but a further rise in commodity prices is feared; the overly low ratio of financial revenues in the national income has given rise to financial difficulties and, in particular, central finance has found it difficult to pass the days, but changing such a situation and raising the "two ratios" may result in depressing the enthusiasm and activism of the localities and the enterprises, and so on. Therefore, in selecting the reform measures, we must be extremely cautious regarding the size of the steps to be taken, otherwise we may harm the national economy's sustained, stable, and coordinated development, even to the extent of burying the relatively lax environment brought about by improvement and rectification and even burying the accomplishments of improvement and rectification.

The way to solve the problems is to find the best combination of economic targets which are mutually related. In reality, economic targets which are mutually related are interchangeable. Use of the method of expanding demand to stimulate economic growth may lead to currency inflation; while tightening demand to stabilize commodity prices cannot but pay the price of slowing down the growth rate, and this is a sort of

interchangeable relationship. In the selection of economic targets we cannot lose sight of this interchangeable relationship nor can we grudge paying a certain necessary price to grasp well coordination between the various targets. How do we select the best combination of these economic targets? The answer is to make unified arrangements and seek the reciprocal coordination of the three sides of improvement and rectification, deepening reform, and economic development.

At the moment, maintaining the stability of the state and society is a matter of overall and primary importance. The economy's stable development is the basis for political and social stability. We need to maintain not only near-term stability but also long-term stability. But in-between short-term stability and long-term stability there also exist contradictions and interchangeable relations and we must grasp the coordination and linking together of the two sides. At the same time, in our country's current economic life, the dual difficulties are frequently manifested in the measures aiming at near-term stability (such as freezing commodity prices) which may not benefit long-term stability. On the other hand, certain measures beneficial to long-term stability (such as closing, stopping production merging, and transference to other trades) may also lead to near-term instability. Contradictions such as those between accumulation and consumption, tightening and loosening, stabilizing and smoothing out commodity prices, and stopping currency inflation and rectifying low-speed growth are all related to the contradictions between near- and long-term stability. Correctly handling the relations between near- and long-term stability is equivalent to seeking good coordination of the relations between the three parties of improvement and rectification, deepening reform, and economic development. Improvement and rectification are for the sake of economic stability and the creation of a relatively lax economic environment for reform and development; while deepening reform is to provide better structural conditions for the economy's sustained, stable, and coordinated development. Only through using reform to facilitate stability and seeking development in stability can there be long-term and firmly rooted stability. Therefore, improvement and rectification, deepening reform, and economic development should not be split up one from the other to form three separate pieces. Rather, they should be linked together, seek progress from stability, and push economic operations gradually toward a benign circle.

Seen in the long run, deepening of reform and improvement and rectification should all serve economic development and create the conditions for the economy's sustained, steady, and coordinated development. However, at different stages, on the three sides of improvement and rectification, deepening of reform, and economic development, there should be a leaning to one of the sides. In the next two years from now, the tasks of balancing the gross volume and structural readjustment will still be rather heavy and improvement and rectification should be put in the primary place. The GNP's



growth rate should be controlled to a slightly lower level. After two to three years, when the economic environment will have improved and the GNP's growth rate will have been slightly increased, then the tasks of bettering the structure and raising the effects should be placed on a more important position. Improvement of the structure and raising the effects have also been our country's main problems in economic development of the 1990's. Realization by the end of this century of the strategic targets of doubling and redoubling is not a problem of speed and quantity but is a problem of quality and structure. Only when the structure has been improved and the effects have been elevated can economic development possess quality and stamina.

**Grasp The Opportunity To Push The Reform Forward,**  
by Zhang Zuoyuan [1728 0587 0337] of the Economic  
Research Office on Finance, Trade, and Resources,  
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After over a year's improvement and rectification, our country has made rather obvious accomplishments regarding stabilizing the economy. On the side of social gross supply the acute situation has quieted down and in the first half of this year, the increase rate in society's general index of retail sales commodity-prices has dropped five percent and below while, in addition, a buyer's market has appeared in the case of certain commodities. This has created a rather loose environment for reform of the economic structure oriented to the market. It seems to forecast that a good opportunity for reforming economic structure has arrived.

Concurrently, the further development of improvement and reform also requires coordination by deepening the reform. In the preceding stage, we concentrated our strength and launched an attack on all sides on solving the problem of inflation of the gross volumes, and achieved results in this respect. At present, the problem of readjusting the economic structure has become prominent. The current sluggish sales in the markets of certain commodities also principally reflects the irrationality of the production structure. Experience has told us that in solving the problem of inflation of the gross volumes adoption of certain administrative measures (such as government fixing ceiling targets) may produce results in the near future but solving the problem of structural imbalance is different and needs the adoption of more economic methods. Employment of economic interests to entice the activities of the various economic main bodies will be helpful to improving the existing economic structure. Particularly at the present state, the role of being oriented to the market has daily become more obvious, the main bodies of economic interests have become many sided and it all the more needs the use of economic measures to readjust the product and industrial structures, in order to rationalize them. This then requires the further pushing forward reforming the economic structure and the forming of an economic mechanism beneficial to rationalizing the economic structure.

In order to realize the product and industrial structures rational readjustment, at present the most realistic method is to improve the price structure and price relations in order. Several years ago our economy was over-heated, principally due to the development of industries, particularly the processing industry; it was too high in growth speed and was out of joint with the development of agriculture and the basic industries and estates, thus causing a maladjustment in the ratios. At the same time, the important cause for the too-rapid development of the processing industry and the slow development of agriculture, basic industries, and estates lay in the high prices and profits of the products of the processing industry; while in the case of agricultural products like grain, and the prices or fees charged for the products or services of the basic industries and enterprises are low and also their profits are very small. The prices of a large portion of the former are decontrolled and are regulated by supply and demand relations while the prices of the latter are mostly under the control of the government in varying degrees. At present, the comparative benefits from grain production tend to be low, the whole coal industry and trade is a losing proposition, this year even after raising the price of crude oil it is still difficult to maintain simple re-production, the fixed price of the planned contracted portion of crude oil and natural gas does not come up to one-fourth of the international market price; railway fees, even after several raises, are still very low, postal and telegraphic charges are also seriously low, and the prices of many mining products are likewise on the extremely low side. All this needs to be readjusted and reformed in a planned manner, otherwise even though the state's industrial policy has been made definitely clear it will still be difficult for those industries demanding priority development to develop rapidly. On the other hand, if only the prices can become rational and the original "short-line" departments, industries, and trades can generally attain somewhat the same level in profits from their capital funds, then it will be possible, from the standpoint of economic interests, to push the development of these departments, industries, and trades and to maintain the general coordination in the proportions of the macroeconomy.

Some people have stressed the point that the impediment to the current readjustment of the product and industrial structures was principally the locality's financial contracting system. Enforcement of the system of local financial contracting has strengthened the local interests, and the localities, starting from their own interests, have enthusiastically invested in projects of a "short-term, cheap, and rapid profit-yielding" nature, mainly enterprises of the processing industry, and transferred the burden of developing the basic industries and enterprises to the state. This was the important economic factor for the appearance in recent years of the phenomena of local blockade, redundant construction, and splitting up the unified market. Hence, from now on, in order to give prominence to readjusting the economic structure, first of all we must change the financial



contracting system to the tax-division system. In my opinion, this is reasonable. The tax-division system should be taken as the target model in the reform of the financial structure from now on. However, it must be seen that it is not an easy matter to convert local financial contracting to the division of taxes and to use this method to put to order the relations between central and local finance. This is because the localization of economic interests is not due mainly to implementation of the local financial contracting system. Rather, it is because the local governments own and run enterprises and government is not separated from enterprise functions. The local governments direct ownership and operation of enterprises has rendered local financial contracting unlike the situation in certain Western countries, which produce only such effects as the local governments devoting their efforts to improving the living conditions of their localities; rather, it may also produce such effects as the local governments striving to improve the production conditions and all the economic conditions of the localities. This precisely has been the economic source of the economic structure of the various localities effecting a similar development in recent years. Obviously, changing this sort of conditions, building up anew the economic relations between the central government and the localities, and raising the proportion of the central government's financial revenues in the whole financial income will naturally suffer from the boycott of certain localities, particularly a boycott by the governments of localities which in recent years have enjoyed rapid economic development, and which have derived much profit from local financial contracting and have grown in financial strength. Thus, this kind of reform not only has many difficulties but also requires the adoption of many transitional measures, a rather prolonged delay, and coordination by the reform of separating government from enterprise functions before it can be gradually realized. It seems that this reform, even during the "Eighth Five-Year Plan" period, can only be agitated for, probably be in a piloting stage, and hardly able to take large steps forward. Seen from this context, I believe that compared with the foregoing mentioned reform of the financial structure which is fraught with many difficulties, it would be more realistic and feasible to speed up the reform calling for readjustment and opening up of prices, including stepping up the changing of the "double-track" price system into a single track one. Moreover, following the gradually smoothing out of price relations and the gradual elimination of such unreasonable phenomena as prices being absurdly high or absurdly low, it will be possible to create the advantageous conditions for the transition of the local financial contracting system to the system of dividing taxes. At least, it can cause the easing of the contradiction arising from the irrational price structure inducing the various localities struggling to take up high-priced and profit-making projects and thus causing an imbalance in the national economic structure.

In the reform of the financial structure it is most practical to carry out the system of "double-entry" budget

and divide finance into "eating finance" and "construction finance." The former must visualize receipts larger than expenditures and there should never be red figures, whereas in the case of the latter, issuance of debentures may be taken as the source of construction funds. At present, the savings of our country's residents have grown rapidly. From now on, we should firmly insist on encouraging savings on the part of the residents and not consumption (the proportion of consumption funds in the national income's use volume should be 66 to 67 percent). Besides, we should make the residents continuously increasing savings to become the source of fixed and regular construction funds. This means that we must induce the residents to convert more of their savings deposits into the state's construction debentures. Conversion of more of the residents' savings deposits into debentures (or stocks and shares) can bring about the many-sided nature of the residents' monetary assets and change the status of the banks' savings deposits making up 90 percent of the residents' monetary assets. This will prevent the residents' accumulations from becoming fearful "caged tigers," because once the residents' savings deposits are turned into debentures, stocks and bonds, they generally will no longer constitute surplus purchasing power. Seen from the gross volume, the transfer of debentures and shares does not form new purchasing power. Naturally, under the conditions of a stable economy and the interest rate on deposits being equal to, or higher than, the rate of the rise in commodity prices, the residents' savings deposits are by no means "tigers," and need not be feared. It is only in the case of the sharp rise in commodity prices (surpassing the interest rate) and during high economic fluctuations that the residents' savings deposits may become the much to be feared "tigers."

Actual practice in the last few years has shown that in our country's economic operations interest rate is playing an increasingly important role. More use of the interest rate lever in macroeconomic regulation is necessary and feasible. Following the downturn in the scale of the rise in commodity prices, the interest rate on loans should also be correspondingly readjusted. As for the scale of readjustment, caution and careful consideration should be given. The interest rate on loans should not be too low and should not become the "protective umbrella" for projects of low effects. Regarding industries and undertakings ordained by the state for priority development, the method of finance subsidizing the interest rate should be carried out. Under general conditions, it is mandatory to hold to the principle of the interest rate on deposits being higher than the rate of the rise in commodity prices, to provide deposits with a realistic interest rate (proper or correct interest rate).

We should grasp tightly and push forward the following: Perfection and development of the enterprise operation contracting system, reform of the taxation system, expansion of market relations centered on development of the market for means of production, reform of the

foreign trade structure, installation of the social insurance and security system, reform of the labor and wages system, and so on.

In short, it is necessary to fully grasp the current accomplishments of the improvement and rectification and grasp the relatively good opportunity of the comparatively relaxed economic environment as a whole; it is also necessary to grasp reform with the objective of establishing the new structure of socialist planned commodity economy. At the moment, improvement and rectification have not yet been completed and we must not casually change the policy direction. The tensivity of the retrenchment and tightening needs to be readjusted but decidedly we cannot stop from firmly adhering to retrenchment and tightening guideline or resort to expansion anew. Experience has told us that once we give up the stable financial and currency policies, the economy will soon become over-heated and all the many original reform programs will not be able to go on stage but will be shelved. Or, it will allow those "reform" measures which are disadvantageous to the shifting of the economic mechanism to go on stage and impede the reform of the measures destined to continue. In this context, for the sake of better pushing forward reform and shift the economic mechanism, we should rather allow the improvement and rectification to last a little longer. Once the new economic mechanism has been gradually installed and displayed its role and the economy has entered a benign cycle, there will then be a reliable guarantee for the national economy's sustained, steady, and coordinated development.

**Strengthen and Perfect Macroeconomic Adjustment and Control; Further Perform Well Economic Retrenchment and Structural Readjustment, by Liu Shibai [0491 6198 4101] of the South-West University on Finance and Economics.**

Improvement and rectification have achieved rather obvious results in the last two years in China. Rather stern and severe retrenchment measures have performed the functions of stopping short the economy's overheating and made possible the easing of the contradiction between gross demand and gross supply and a brake has been put on the rising tide of commodity prices, which for a time had appeared to be extremely fierce. In short, the "double tightening" policy enforced in the initial period of improvement and rectification has achieved extremely noteworthy and positive results and played the role of pacifying the people's anxiety, promoting social security and unity, and stabilizing the economy's development. Nevertheless, the emergency braking has also caused new conditions and new problems, such as funds shortage, weak markets, stock-piling of finished products, increase in unemployment, hesitancy and low-level industrial production, and the economy sliding downhill; thus causing this readjustment to display many negative effects which never existed before.

Despite the fact that at present the over-briskness in demand has somewhat calmed down, yet the contradiction between gross demand and supply has not been basically solved, the stance of economic inflation has not been basically rectified, the amount of banknotes formerly issued in a super-economic fashion has not yet been fully absorbed, the storage of goods which can be effectively used by commerce is comparatively weak, the government's financial power to regulate the market and stabilize the economy is extremely weak, and society's hidden purchasing power is very strong and the threat it poses on the market should not be underestimated. The conditions mentioned above require us to continue the firm insistence on the guideline of double-tightening and control of gross demand and to perfect the method of macroeconomic retrenchment. We should not, because of the appearance of retrenchment's negative effects, proceed to change the entire scheme of the basic policy of improvement and rectification, "rebaking the cake," so to speak, and far less to "open the gates wide," or to "all-around stimulate gross demand." It is of the utmost necessity for us to even more firmly insist on the guideline of improvement and rectification adopted at the 13th CPC Central Committee's fifth plenary session and to be adept in integrating the firmness of the principle and the flexibility in actual application. At the moment, it is especially demanded of people to possess the sensitive sense of reality and start from reality. According to the new conditions of current demand having greatly shrunk and the over-briskness in demand having eased off, based on the current conditions of the lack of orders for many kinds of products, fall in the market demand for consumer goods, and the rather prolonged negative growth rate in the gross volume of retail sales of social commodities, and also based on the new conditions of confusion in the circulation and turnover mechanism of funds in rather extensive economic areas and the sluggish sales of commodities, we must promptly and without hesitation adopt effective countermeasures to readjust the macroeconomic retrenchment policy. Naturally, such adjustment can belong only to effecting "changes and transfers," without changing the basic guideline of controlling the gross volume and structural readjustment. It embraces "laxity in tightness" and "being tightened greatly and loosened slightly."

In easing and overcoming the negative effects of over-development, we need to retrench the economy and readjust the structure. We should take a look at the situation of the mutual infiltration and mutual intensifying in the negative effects appearing in the months of June and July, 1989 such as: 1) Shortage of funds and market weakness playing havoc on and intensifying each other; 2) economic benefits sliding downhill and enterprise operations difficulty with production being on the downturn affecting and intensifying each other and, more importantly; 3) economic effects going downhill, the inability of financial revenues to increase, and the inability of expenditures to decrease, embodying the danger signal of an increase in budget deficits and



excessive issuance of banknotes. In short, the knitting together of the negative effects of retrenchment and tightening will affect the enterprises' operations, and the national economy operations and thereby restrict the growth of effective supply. Hence, in carrying out the current macroeconomic adjustment and control, it is necessary to continue the enforcement of double tightening, control the over-growth of gross demand, maintain the effects of low-profile prices in retrenchment, and stabilize the commodity prices; at the same time new measures must be adopted to ease and overcome the negative effects of retrenchment and tightening and these are: To appropriately loosen credits and loans, stimulate demand, enliven the market, develop production and, more importantly, restore and smooth out the re-production mechanism to lay a good economic foundation for the further intensifying of improvement and rectification.

Our country's improvement and rectification cannot seek quick results but must be intensified gradually and developed in stages. The first stage started from the overall tightening of the economy since September 1988 to the end of 1989 after which came the second stage. The first stage began with the rather severe "double-retrenchment" the principal contents of which were: Emphasis on using administrative measures to restrict the growth of gross demand and laying the stress on keeping down the rising trend of commodity prices. The second stage originated from adequately loosening the money market, enlivening the general market, and such other measures as opening up production and so forth, the main contents being readjusting the structures including product and industrial structures and enterprises' organizational structure. The precondition was the continuance of the tightening and retrenchment with a suitable degree of economic growth; and the points to be stressed were: perfecting the structure and mechanism, joint use of administrative and economic measures, and seeking the strengthening of both the planning and the market mechanisms. The tasks of the second stage, being related to the economy's deeper layer, require more effective regulatory measures and particularly the display of the weight of the use of economic measures. By so doing, it will be possible to push forward the readjustment of the product, industrial, and enterprise organizational structures, and thus to realize the tasks of structural readjustment which is the most important and is exceptionally difficult in the course of our country's improvement and rectification. Hence, we must earnestly strengthen the following two forces: One is the administrative measures' force or weight in readjusting the industrial structure and the other is the economic measures' force or weight in readjusting the industrial structure. In strengthening the economic levers we must resort to reform; there is no other way out. It can thus be seen that adding to the weight of reform is not only necessary but also extremely urgent. Easing of the contradiction between gross demand and

supply and loosening, to a certain extent, the economic environment will enable certain reform measures to go on stage.

In our country's economic retrenchment and readjustment stage, two contradictions will be met with: The contradiction between macroeconomic retrenchment and economic growth and the contradiction between a lax economy and renewed inflation. Inflation hunger and impulse planted in an imperfect structure can reappear at any time. In particular, when handling the relations of improvement and rectification, economic development and opening to the outside world, any untoward leaning to one side and overlooking of tightening may cause the inflation impulse to rise again. In this regard, we must be clear-headed. Hence, deepening reform must be integrated with improvement and rectification and must be subservient to the demands of improvement and rectification. Concretely speaking, in enterprise reform we must attach importance to the formation of a self-restrictive mechanism; in price reform, loss of price control must be prevented; in strengthening the role of regulation by market mechanism the role of planning must also be strengthened and the growth of production in a blind manner must be prevented. Particularly at the present stage, in the reform we should attach importance to the formation of the economic mechanism for the closing, suspension of operations, merging, and transfer to other industries or trades (including transfer of the ownership right of enterprises and bankruptcy of enterprises) of enterprises to push forward the industrial structure's readjustment.

**Enterprise Reform Is The Major Point in Deepening of the Reform, by Gao Shangquan [7559 1424 0356] of the State Structural Reform Commission.**

Deepening enterprise reform, and increasing the enterprises' vitality, particularly increasing the state-run large and medium-sized enterprises vitality, are the central links of the whole economic structure's reform. In stabilizing and developing the economy, first of all we must stabilize and develop the enterprises and make the enterprises gradually become real commodity producers and operators who are solely responsible for their own profits and losses, operate autonomously, and develop and control themselves. The gradual formation, through deepening enterprise reform, of an enterprise structure which corresponds to the modern production and operation level will put the growth of the enterprises on the foundation of continuously increasing economic benefits and thereby continuously raising the effects and level of the national economy. Naturally, coordinating reform outside the enterprises must at the same time open up. An enterprise's rational economic acts are the results of the functions of the factors of both the internal and external sides and only when these two sides are mutually coordinated and push each other forward can the anticipated results be attained.

Speaking microeconomically, inside the enterprise, the relations, organization, and system must be rational: 1)



An enterprise's property rights is the most important factor directly influencing the enterprise's acts. It refers to the ownership right and right of disposal and use of the enterprise's assets. The essence of the enterprise contracted operational responsibility system is that the enterprise undertakes to fulfill the economic targets and tasks and takes over from the state the burden of the corresponding economic responsibility, thus obtaining the right of the relatively independent disposal and use of the enterprise's assets. The enterprise's property rights are then in a disintegrated state through the form of contracting. Enforcing tender contracting, whole staff risks, and pledge contracting and the experimental system of division of accounts of capital funds are all principally for the purpose of better solving the problem of the right of disposal and use of the assets of the enterprise. In addition, we still have to continue to actively and safely perform well the piloting work on the enterprise stockholding system which has the public ownership system as the precondition. This is also a sort of beneficial study and probing in respect of the property right of an enterprise. Regarding the rational use of an enterprise's assets and the making of effective accumulations, we still have to continue our study and fill in the various new methods.

2) The enterprise leadership structure must be effective and able to ensure the fulfillment of the efficiency rate in production and operation as designated in the policy. The plant head (manager) responsibility system is the product of modern economic development and its effective nature has been proved historically. A modern enterprise's internal organizational structure has been built basically with this as the nucleus. From 1984 up to now, over 90 percent of our country's state-owned industrial and commercial enterprises have enforced the plant head (manager) responsibility system and the majority of the plants have at the same time enforced the plant head tenure-of-office target responsibility system and end-of-tenure-of-office auditing system. Naturally, this sort of leadership structure has not been long in enforcement and there are many points of imperfection. On the side of strengthening the political and ideological work and democratic administration in the enterprise, more substantial methods proven to have been effective should be added on. Reform of the enterprise's internal structure should be continued. The plant head responsibility system should first be firmly insisted on and, second, be perfected.

3) We must further improve and perfect the enterprises' labor, personnel, and wages system and implement the principle of division according to work and employing only capable people. Setting up and perfecting the various systems inside the enterprises are the important conditions for the smooth running of the enterprise's various kinds of economic projects and for the increasing heightening of the production and operation efficiency rate. Over the past 10 years, and based on the characteristics of the various categories of enterprises, we have gradually carried out various kinds of systems in the use

of labor, broken the system of "everybody eating from the same big pot," and reformed the fixed wages system; in personnel management, we have introduced the forms of tender-inviting, appointing, or electing and generally strengthening personnel management; we have also pushed forward the measure of linking the gross volume of salaries and wages with economic effects. By 1988, 50 percent of the state-run enterprises and 60 percent of the large and medium-sized enterprises had adopted the method of linking work with effect. Concurrently, an increasing number of enterprises, based on their power of fixing and distributing salaries and wages, have adopted many kinds of salary and wage distribution forms such as post wages, structure wages, floating wages, piece wages, and so forth.

4) For the sake of the rational allocation of resources and readjustment of the economic structure, it is necessary to push the improvement and readjustment of the enterprises' dimensional economy and effects, and also to develop the lateral union of enterprises and form enterprise groups or syndicates. By the end of 1988 there were 1,630 enterprise groups in the country and in 1988, 2,856 enterprises amalgamate, 3,424 other enterprises. A new trend developed in the union of enterprises. First, union in production and technology developed in the direction of union of capital and operation; second, development from union principally of production and manufacturing to union of opening up of new products and marketing; and third, union's entry into the international market and development of transnational operations; and fourth, transformation of the internal management system of the enterprise from the factory system to the company system. Development of enterprise groups has a great future. Particularly under the present conditions of market weakness and irrational structure, how to perform well the amalgamation and merging of enterprises, develop enterprise combines, and realize the amelioration of the enterprise organizational structure and of the industrial structure constitute a big and important problem.

The coordinating of reform from the outside of the enterprise is principally related to the following aspects: First, measures must be adopted on prices. Under the condition of not affecting the general level of commodity prices, we must carry out reform with care and may consider leaving aside certain products the supply and demand of which are basically balanced. If under the conditions of a weak market we decontrol or readjust the prices of certain products, the general level of commodity prices may not necessarily rise and the risks will not be too great. Second, financial and taxation reform should continue to be deepened and perfected. In the distribution relations between the central government and the localities and between the state and the enterprises, stability should be maintained and importance should be attached to bringing into full play the enthusiasm and activism of the state, localities, and enterprises. In addition, another big problem is how to gradually reduce subsidies, and this needs to be studied

seriously. In regard to taxation, first, the taxes should be rationally imposed and, second, rigidly collected. In introducing new taxes or increasing the tax rates, consideration should be given to the possibility of a rise or increase in actual prices and expenses as well as such problems as financial deficits and increases in subsidies. When fixing the tax categories and tax rates and when planning the amount of upward deliveries to finance and the proportion of self-retention, importance should be attached to how to macroeconomically check demand inflation and how to microeconomically arouse the localities, departments, and enterprises to raise their economic effects. Third, on the side of financial reform, the central bank's power in macroeconomic adjustment and control should be augmented and the currency policy should be allowed to play an even larger role. By means of readjusting the flow of funds and the credits and loans structure, and employment of the interest rate lever, we should attempt to regulate social gross demand and gross supply, support and encourage those enterprises which conform with the development of the industrial policy and restrict the development of those enterprises known to have been guilty of high consumption, high waste, low effect, and poor quality of products. Fourth, deepening is needed in the reform of the planning structure, investment structure, materials structure, foreign trade structure, social security structure, and so forth.

By means of deepening internal reform of the enterprise and through integrating in the enterprise the real accomplishment of increasing the economic effects and the rationalizing of economic behavior, we will provide a relatively large sphere of operation for pushing forward the coordinating reform measures on the above-mentioned sides. If the enterprise reform is not deepened and the more ideal economic effects cannot be brought along, then in the situation of price levels continuously rising and the pressure of daily declining financial strength, coordinated reform will slow down its pace and with the various kinds of structure still not in good order and distortion in the economic structure and price structure, bare reliance on the enterprises tapping their own hidden potentials, the transformation and strengthening of administration and deepening of reform will find it difficult to continue. We must steadily and in a planned manner further reform in such sectors as pricing, finance, currency, taxation, and investment. Correct handling of the relations between enterprise reform and coordinating reform will facilitate the readjustment of the structure and enable the national economy, on the foundation of continuously heightening the economic effects, to realize a steady, sustained, and coordinated development.

Aside from the coordinating reform outside the enterprises, deepening of enterprise reform must be integrated with strengthening enterprise management. We should strengthen enterprise management in the course of deepening enterprise reform and simultaneously deepen

enterprise reform while strengthening enterprise management. Be it deepening enterprise reform or strengthening enterprise management, importance should always be attached to heightening the economic effects of the enterprise so that economic development will gradually realize the conversion from the high-speed development type to the attainment of actual effects type and from the type principally banking on material input to the type principally oriented to scientific and technological progress.

**Correctly Handling the Relations Between Stability, Reform, and Development by Zhao Renwei (6392 0086 0251) of the Economic Research Institute of the Academy of Social Sciences of China.**

Since the enforcement of improvement and rectification in autumn 1988, the problem of economic stability has attracted the special concern of the economic academic circles and even the whole society. People have increasingly felt economic stability is the foundation of stability of the entire society. Under the conditions of economic overheating, imbalance in supply and demand, maladjustment in the industrial structure, currency inflation and confusion in market order, not only the economy but also life in society are in a state of instability. Seen from this context, carrying out improvement and rectification is for the sake of facilitating the stability of the economy and life in society.

Naturally looking at the problem from the dialectics standpoint, seeking economic and social stability is not the ultimate target. Seen from the present, the realization of economic stability through improvement and rectification aims to create a lax environment for economic reform and economic development and better conditions for the further reform of the economic mechanism and the further coordinated development of the national economy.

So-called socioeconomic stability refers to a sort of relatively stable state in social and economic development and not to an absolutely stable or stationary state. If a society is in an "absolutely stable" state of lagging behind or staying put, then in the development mechanism of that society certain impediments have occurred internally or its functions have been maladjusted and treatment is necessary. Hence, stability without development is definitely not our target. Stability, in its true sense, is a sort of stability in development and only in the course of development can long-term stability be realized (Footnote 1: See my talks on "reform, development, and social stability" with reporter Zhao Mingseng, "ZHONGGUO SHEHUI BAO," 16 March 1990).

Actual practice in socialist economic construction in our country has shown although the establishment of the socialist economic system has provided the possibility of realization of long-term stable development, in order to fully display the superior nature of the socialist economic system and promote the elevation of economic efficiency it is still necessary to carry out reform of the economic mechanism. Reform of the economic structure



that has been going on in our country over the past 10 years aims to convert our country's economic structure from the model of repelling the market mechanism and being in-suited to the further development of the productive forces to a model which is of the sort of the integration of planning and market, that is, from the model of a highly centralized product economy to a model of a planned commodity economy. The enormous successes of the 10 years of reform have amply shown that only through reform can the further development of the economy be promoted, and only through reform can the long-term stability of the economy be realized.

It can be seen that before us lies the important task of correctly handling the three sectors of stability, reform, and development. From strategic supposition, we must understand that without stability there is no way for reform and development to be sustained and continued and that without reform and development, there cannot be lasting and long-term stability. In strategic operations, we must seek a degree of integration of the relations of the three; when reform is so intense and development so heated that the stability of socioeconomic life is affected, we must introduce measures of readjustment to make the steps of reform slow down and the speed of development slow down and take the seeking of stability as the outstanding and prominent target for a definite period. When the readjustment measures have achieved obvious results, then we must increase the weight of reform, and seek a road for the further development of the economy, particularly devoting efforts to raising the economic effects. Only through correctly handling the relations of the three in strategic supposition and strategic operation can we realize the sustained, steady, and coordinated development of the economy.

In order to correctly handle the relations of the three, I believe we should especially point out the following several problems for study and solution:

1. The problem of how to prevent and overcome the large rise and fall in production and the occasional fluctuations in consumption.

In this connection, the economic development of our country over the past 40 years has given us many experiences and lessons. Historical facts have proven that after a large rise in production and a large laxity in consumption, there inevitably followed a period of a large fall in production and a large tightening in consumption. After the Great Leap Forward and "free for all meals" in living in the 1950's, there followed the three-year period of trials and difficulties in the early 1960's. This was a most outstanding instance. After the overheating in economic development and consumption in the several years before autumn of 1988, what accompanied and followed it was the recent one or two years of decreasing the speed of production and the advocacy of passing tightened days. This was another typical example. Facing these phenomena, certain scholars in economics, particularly certain young economic scholars have carried out a scientific study of the problems of

economic fluctuations and economic cycles in our country over the past 40 years. This is of extreme significance. Naturally, we shall have to further deepen the study and analysis of the causes and mechanism of the large rises and falls before there is help to prevent the reappearance of such phenomena in the future. In the early 1960's certain economic literary contributions attributed their major and even full causes to natural disasters and other outside factors. This obviously was not scientific. Recently, certain economic scholars made an analysis from the sides of defects in structure and errors in policy and this is quite illuminating. Nevertheless, before us still lies the enormous task of how to make an analysis of the many factors which are subjective and objective, social and natural, internal and external. Here it is especially necessary to analyze and comprehend the role and intensity of the various factors at different times before we can clearly demarcate the border lines between the normal fluctuations and large rises and falls in economic development, make a scientific assessment of the theory of "wave-like development" mentioned by some people in the 1960's, and prevent giving the green light to large rises and large falls under the pretext of "economic fluctuations" and wave-like development. If we can, in the economic development from now on, prevent large rises and falls, then we can enable our economy to achieve even better macroeconomic effects and long-term benefits.

If we can make clear the demarcation line between normal economic fluctuations and large rises and large falls, we can also obtain the following viewpoint: In the course of economic development, periodically inserting a period of centralized readjustment or a period of improvement and rectification is not an inevitable phenomenon. In other words, centralized economic readjustment or improvement and rectification are naturally for the purpose of outstandingly seeking economic stability, but the stability of the economy does not necessarily have to go through centralized readjustment and improvement and rectification before it can be realized. From now on, we should endeavor to the utmost at all times to integrate well stability, reform, and development. Naturally, in various periods, there is the possibility of specially learning to any one side, but we must prevent giving overprominence to any one side in a certain period, facts have shown that alternately placing overprominence on any one side is not beneficial to the sustained, steady, and coordinated development of the entire economy.

2. The problem of how to integrate in economic administration administrative methods and economic methods and direct control measures and indirect control measures.

In the stage of improvement and rectification, particularly in the initial period of improvement and rectification, for the sake of rapidly rectifying the unstable state caused by the phenomena of overheating of the economy and currency inflation, it is frequently unavoidable in economic administration to strengthen certain administrative methods and direct control measures. For



example, in order to ease the contradiction between supply and demand, we may use administrative methods to control the issuance of banknotes, cut down the investments in capital construction, adopt stern administrative measures to control the prices of certain products, and so forth. The problem is that only by grasping a fixed limit in scope and time in regard to these measures can we attain short-term stability and long-term stability and also the integration of stability with reform and development. In this connection, we already have many historical experiences worthy of summarizing. Early in the 1960's, we adopted stern pricing measures *via-a-vis* means of production and means of basic living and were able to attain large successes in the readjustment of the national economy, laying a good foundation for future national economic development. Since at the time the task of reform of the economic structure was not mentioned, it was sufficient and workable only through readjusting the economic life and restoring the track of the original traditional economic structure. Facts in subsequent economic development showed that the use of administrative measures to control long-term commodity prices and salaries and wages and even to nearly freeze commodity prices and wages frequently resulted in a series of distortions in economic relations and even in causing distortions in the income distribution relations between the various generations of people (Footnote 2) (See my article "Trend of Certain Changes in the Individual Income of Workers," JINGJI YANJIU No. 3, 1985). As for the long-term control and freezing of prices, be it seen from our country's own experience or from international experience, frequently it calls for paying the price of the financial budget expending a large amount of subsidies. Increases in subsidies not only suffer from the limitation of the budget's ability to bear them but also may lead to further distortion of the price structure. At the same time, these consequences all run contrary to the reform oriented to the market. It can be seen that compared with the economic readjustment in the early 1960's, our current improvement and rectification are confronted with much more complicated and difficult problems. The most outstandingly different point is: The current improvement and rectification must lay a good foundation for deepening of reform and not set up impediments to the next step of reform. Hence, in the employment of administrative methods and direct control measures we must grasp well the degree and only by so doing can we find between stability and reform an adequate balancing point and integration point.

### 3. The problem of how to reduce friction in the course of shifting the economic mechanism.

The many factors of instability of the economy in the several years preceding the autumn of 1988 were attributable to the overheating in economic development and also to the contradictions and friction in the course of the shifting of the economic mechanism. After one year and more of improvement and rectification, the role of the factors of instability in economic life has been greatly

weakened. From now on we should gradually increase the weight of the reform and seek further development in stability. In the course of this process, we should not only be alerted to the "rebound" of the inflation mechanism and the reappearance of the situation of overheating in the economy, but also prevent the expansion anew of the coefficient of friction in the shifting of the economic mechanism. In reality, this is the problem of how to maintain stability in deepening reform. In my opinion, in this connection we should pay special attention to the following two points: First, it is necessary to prevent the expansion anew of the friction coefficient in the dual economy structure and particularly in the dual pricing system and it is also necessary, through continuously reducing the differential between the two kinds of prices, to reduce the factors of instability caused by irregular official and private practices. On this side, the key is to actively and without losing the opportunity carry out price reform and, through the process of the "integration of controlling and de-controlling," gradually reduce the friction between the two kinds of prices ultimately to remove the friction through elimination of the price double-track system. Second, the changes in the relations of economic interests in the course of deepening reform and shifting of the economic mechanism should preferably take as a precondition that the stability of the social economy will not be affected. In the stage of improvement and rectification, changes in the various kinds of economic interest relations relatively slow down, but following the increase in the weight of the reform, there will appear changes in economic interest relations. In the course of deepening reform, the economic interest relations between the central authorities and the localities, between the state and the enterprises, between urban and rural residents, and between the state and the individual will effect further changes. I believe that the prerequisite for the changes in these economic interest relations should be that they are not too drastic and not overslating to any one side, and the goal should be to change the pattern of the original economic interests on the one hand and to have consideration for the ability to bear on the part of the various interest groups concerned on the other. If we can do this exactly right, then we can continue to maintain stability of the economy in the course of deepening reform and can, in stability, achieve the deepening of reform and development of the economy.

### **The International Environment Confronting Our Country's Improvement, Rectification, and Deepening the Reform, by Huang Fanzhang [7826 5400 4545] of the Economic Research Center of the State Planning Commission.**

Although in our country the enforcement of the guideline of "improvement, rectification, and deepening reform" has achieved initial results, yet the economic situation inside the country is still very difficult and the tasks on the three sides of the improvement, rectification, and development are still enormous. This being the case, in the 1990's, and particularly in the early part of the 1990's, what is the international environment faced

by our country? What advantageous factors are there which can offer us opportunities? What are the disadvantageous factors which offer us a challenge or place impediments before us?

At present, the international situation shows signs of stability, such as are seen in the economic growth of the major industrial nations of the West and their relative stability in such sectors as commodity prices, employment levels, and international markets. There is also the side of extreme instability, such as between the United States and Soviet Union and between the Eastern and Western blocs; also, inside the two blocs, their political and economic relations have developed and continued to develop changes and their forces of various kinds are disintegrating anew or combining. In such a complex international situation, the main advantageous factors to us are the following:

- The economy of the West will continue to grow in a stable manner. While it is true that this year the trend of economic growth of the main industrialized nations is behind that of last year, the basic policies of the various countries will not change. They will continue to take as the main policy target prevention of currency inflation, enforce a stringent or tightened currency policy, and slow down the growth speed. It is estimated that this year the growth rate of the United States will be below two percent (three percent in 1989), Japan's growth rate will be 4.5 percent, slightly below last year's level (5 percent), but higher than the principal countries of the West; and West Germany's growth rate will generally be the same as last year (4 percent). Thus, this year the growth rate of all the major industrial countries will be around 2.7 percent. This will be lower than last year's level (3.5 percent), but it is anticipated that this can prevent currency inflation and also avoid economic depression (if no accidents occur). It is estimated that next year the growth rate of the various countries will be universally enhanced and in 1991 it is expected to rise to three to 3.5 percent. Despite the continued low rate of growth the economies will continue to maintain the tendency of growth. This will support or even expand demand in the international market.
- World trade will continue to grow and the scale of growth will be lower than that of last year (8.5 percent), but continue to be higher than the economic growth rate, and is anticipated to be around six percent. Particularly following the Soviet Union and the East European countries opening their doors to the outside, the demand for consumer goods, particularly medium and higher-grade durable consumer goods, and such light industrial products as textiles and garments, will show a rather large-scale increase.
- Despite the lowering of the economic growth rate of the West, the economies of the newly rising industrialized countries and regions in Asia have continued a high growth rate. In 1989, the growth rates of the "four small dragons" were respectively: Hong Kong, 2.5

percent; Taiwan, 7.7 percent; Singapore, 9.2 percent; and South Korea, 6.3 percent; averaging 6.4 percent. The growth rates of the "four countries" of Southeast Asia were respectively: Thailand, 10.5 percent; Philippines, 5.9 percent; Malaysia, 8.5 percent; and Indonesia, 6.2 percent, averaging 7.7 percent. It is estimated that in 1990 the average growth rates of the "four small dragons" and the four countries of Southeast Asia can respectively reach 5.5 to 6.5 percent and seven to 7.5 percent. These developments will promote the economic and trade development of the Asian area.

- The structure of products of certain countries and regions in Asia has continued to undergo readjustment. Due to the continuous rise in labor costs (including salaries, wages, and various kinds of welfare benefits), Japan, South Korea, Hong Kong, and Taiwan have increasing lost, in international competition, their superiority in enjoying a cheap labor force. Moreover, in the 1980's, Japan, Taiwan, and South Korea accumulated large amounts of foreign exchange reserves and enterprises funds but had a dire shortage of natural resources, while their labor force was growing daily more expensive. They were anxious to find an outlet for investment. Hence, their tendency is not only to continue to transfer their labor-intensive type of industries to countries of the "eastern alliance" and other Asian countries and regions which have a plentiful labor force and resources and enjoy cheap labor costs, but also, based on the conditions of resources, technology, transportation, and market, to expand their investments in the Asian countries and regions.

The international situation's disadvantageous factors to our country are principally the following:

- Although the economic sanctions against our country engineered by the Western countries, headed by the United States, have begun to show signs of slackening, the chances are remote of their being any basic change in the near future. It is estimated that for a rather prolonged period from now on the Western countries quite possibly will maintain their economic, trade, and technical cooperation relations with our country on a relatively low level, not completely terminated but unlikely to be restored to the level in early 1988. The shadow of the "sanctions" will continue to generate passive effects on loans, investments, and import of high technology. Quite possibly each and every movement of relatively great economic laxity or loosening will be accompanied directly or indirectly by certain political conditions.
- Since the drastic changes last year in the Soviet Union and Eastern Europe, the Western nations have focused their attention on this region. Some people have fermented a new "Marshall plan" for the area and others have suggested the organization of a "renaissance bank." Regardless of the chances of success of these schemes, one point is definitely beyond doubt



and this is: Compared with any other region in the world, the Soviet Union and Eastern Europe will have priority in obtaining capital funds and technology from the West. In the development of economic and trade cooperation with the Western countries this region will occupy a comparatively better position than other areas.

- Countries of the "Eastern Alliance" (Thailand, the Philippines, Malaysia, and Indonesia) and certain other countries (such as India) are developing their economies. They offer a considerable attractive power to investors from the outside, particularly to investors from Japan, South Korea, and Taiwan, and will become our country's important competitors.
- The Soviet Union's and East Europe's demand for Western capital will further expand the gross demand in the international capital market. This will cause a rise in interest rates, add to the interest burden of the debtor countries, and increase the difficulties of the developing countries in securing foreign capital.
- Trade protectionism is prevalent in Western countries. Regionalization or the development of groups and syndicates has built formidable barriers between the inside and outside of the groups or syndicates. The United States may make use of Article 301 of its "comprehensive trade ordinance" as a revenge measure against protectionism, while in our hands we lack effective measures to break through the "barriers."

The above-mentioned advantageous and disadvantageous factors are only the more notable ones. Comprehensively considered, it may be found that the external environment is more stern and serious, and we should not attach to it much or unrealistic hope, although, at the same time, we should not overlook that there are many advantageous conditions available for our use. However, one point must be stressed, and this is that regardless of the state of the outside conditions, we must perform a good job in "improvement, rectification, and deepening reform." This is because, even though external conditions have been improved and even though foreign capital, technology, and markets are close at hand (for example we are closely adjacent to Japan, South Korea, and Taiwan), if we do not improve our investment environment and business environment, it will be very difficult to compete with certain countries of Southwest Asia. In improving the investment and business environment, and increasing the attractive power to foreign investors and merchants, the point is that we should not limit ourselves to giving various kinds of preferential conditions (such as in the case of the price of land, interest rates, return-remittance rate of profits and so forth), but more importantly there must be highly efficient operation and administration, good communications and transportation facilities, superb banking and currency facilities, and so forth. Hence, in the final period of improvement and reform we must promptly proceed with systematically implementing various kinds of economic reform measures.

**Continue To Develop Many Kinds of Economic Constituents and Realize the Ameliorated Arrangement of the Economic Structure, by Mao Tianqi [0379 1131 0796] of the Economic Research Institute, Academy of Social Sciences of China**

Readjustment of the economic structure is an important measure to achieve a deep-going consolidation of the fruits of improvement and rectification and increase the weight of the structural reform. This measure includes on the one hand the problem of amelioration of the economic structure as related to the productive forces and on the other hand the problem of the rational disposition of the many kinds of constituents of the structure as related to production relations. After 10 years of reform and open door policy, our country has in general formed the new pattern of the state-run economy playing the lead, the economy under the public ownership system being the main body and the co-existence of many kinds of economic constituents. But in the next 10 years, for the sake of pushing reform forward in the direction of the organization integration of plan and market and to gradually increase the weight of the structure of socialist planned commodity economy, it is still necessary to continue further readjustment of the existing structure of the ownership system.

First, readjustment of the internal structure of the public ownership system.

According to the regulated nature of socialism, reform of the state ownership economy in general may take two roads of progress: One is the road of state ownership turning to non-state-owned and the other is the road of state ownership being non-state-run. Naturally, in-between the two there are other concrete roads. The first road is related to the basic reform and change of the system of ownership right and hence may return by the state of the operation right over enterprises and hence it may peacefully overcome certain drawbacks of the state-owned state-run economy and enable the enterprises to develop in the direction of being socialist commodity producers of the type attaining operational effects. In October 1984, the Third Plenary Session of the 12th CPC Central Committee adopted the decision on reform of the economic structure in which it pointed out: "In the past, the important reason for the state to control the enterprises too much was to make ownership by the whole people equivalent to the state organs directly running the enterprises. According to the theory of Marxism and the actual practice in socialism, ownership right and operation right can be appropriately separated." This is the basic theory followed by our country in pushing forward in recent years the reform of non-state running of state-owned assets. According to this theory, under the precondition of the state holding the ownership right of the means of production and without changing the character of the system of ownership by the whole people of state-owned enterprises, the operation right is given to the enterprise, the enterprise is allowed to follow social needs and market supply and demand to independently and autonomously arrange production,



supply, and marketing as well as the allocation of personnel, wealth, and goods, while the economic relations between the state and the enterprise are based on the rational distribution of the profits. Seen from actual practice, in order to really separate the two rights, it is still necessary to carry out two re-separations: First, in the case of the principal body of the ownership right, it is necessary to separate the state's ownership right of the means of production from the administrative and management right over the economic activities and ensure separation of government from enterprise functions. If separation of the two rights is carried out under the pattern of non-separation of government from enterprise functions, at all times there is the possibility of the recurrence of the drawback of centralized administration of power. The second is that in the case of the main body of the operation right, it is necessary for the enterprise to separate its right of operation of the state assets from its ownership right of its own funds and to make the enterprise possess the economic conditions for being solely responsible for its own profits and losses. Outside of so doing it will not be possible to basically cure the chronic ailment of everybody eating from the same big pot. Separation of government from enterprise functions and being solely responsible for one's own profits and losses—these are the two key problems in the deepening of the reform of the national economy. The setting up and strengthening of the structure of state-owned assets administration is an organizational assurance of protecting state-owned assets and their benefits from being damaged, increasing the operational benefits of state-owned assets and further deepening the "separation of the two rights." It should be pointed out that the appearance of the two kinds of re-separation following the deepening of the separation of the two rights secretly embraces a certain possibility of the non-state-owning of state ownership. For example, on the basis of the enterprise self-owning funds it may be possible to develop joint-stock share-holding enterprises of the state and the enterprise and this may turn into an economy of the system of collective ownership. This is nothing to be feared. The leading function of state-owned economy should not be principally manifested in the material status of the state having hold of the assets. Rather, through holding the funds, the state can follow the development of science and technology, realize re-investment, build new enterprises and develop new industries and trades. Through the change in the form of the ownership system pushing forward the readjustment of the industrial structure is a relatively safe road. Of course, there are other similar measures, such as the amalgamation or auctioning of enterprises which have incurred deficits and losses due to long-term poor management. This will lessen the state's burden of providing financial subsidies.

Regarding the various forms of cooperative economy in the sectors of production, supply and marketing, credits, and consumption in the rural areas, the various categories and types of cooperative economy in the industries (including handicrafts), transport trade, building trade,

commerce and service trade in the urban areas and also the various kinds of service companies and associations invested in and organized by various social groups and/or jointly formed by individuals in recent years, all these economic constituents in essence belong to the collective ownership system of the working masses of socialism, being part of the economy under the public ownership system. Like the state ownership economy they are placed in the principal position in socioeconomic development. However, the concept formed for a long time of the cooperative collective economy being a low-class of the public ownership system has lingered in the minds of certain people, although at times they may be promoted and edge into the ranks of the state-owned economy through the random transference or voluntary "contribution" of the collective properties. At the same time, the state has seriously lagged behind in the readjustment of its policy toward the cooperative collective economy and has adopted certain extremely unequal policies between the state-owned economy and the cooperative collective economy in such sectors as investment, credits and loans, taxation, and personnel. In reality, in recent years the urban and rural cooperative collective economy has made exceptionally large contributions to the economic development of the localities. (Footnote 2: Take for example Zhaoshan City of Zhejiang Province: In 1989, the GNP of the whole city was 5.8 billion yuan of which the annual output value of the village collective enterprises was 4.8 billion yuan, or 79 percent; the annual gross output value of town and township collective enterprises was 500 million yuan, or nine percent; while the annual gross output value of state-owned industrial enterprises was only 200 million yuan, or three percent. As far as the whole country is concerned, up to the end of 1988, there were over 150,000 town and township collective industrial enterprises in the whole country, occupying 60 percent of the total number of town and township industrial enterprises; the size of their staff members and workers was 18.50 million people, making up 30.4 percent of the total number of industrial staff members and workers in the whole country; their output value was 258.2 billion yuan, occupying 20 percent of the gross output value of industries in the whole country. From 1979-1988, town and township co-operative collective enterprises provided jobs to 23.58 million unemployed people, making up 48.6 percent of the unemployed people in towns and townships of the country for the same). Since the operational mechanism of cooperative collective economy is more suited to the demand of the socialist planned economic structure, it is now far from playing only the role of reserves. In the economies of many localities the cooperative collective economy is not only the main body but also plays the leading role. It is likely that in the next 10 years of our country's reform and development, the cooperative collective economy will enjoy still greater development. This is because: 1) In recent years the cooperative collective economy has occupied a place only in agriculture, light industry, and the building industry whereas in the departments of metallurgy, coal, petroleum, textiles, electronics, and machine-building,

its role is principally limited to doing coordinating and processing work for the large plants although in these departments there is much ground for its further development. In fact, in certain localities, it has already penetrated into these departments. 2) Financially the state is short of funds, over a hundred million or more of staff members and workers of state-run enterprises are "eating government grain" and enjoying various kinds of benefits; 20 percent of the state-run enterprises are suffering from deficits and have to take subsidies from the state—all these have exerted a heavy pressure on state finance. On the other hand, cooperative collective economy has paid taxes regularly, is solely responsible for its own profits and losses, is run autonomously and hence its development can greatly lessen the financial burden of the state. 3) Cooperative collective economy can effectively solve the employment problem. Hence, developing the cooperative collective economy and enlarging the socialist public ownership system constitute the important side of readjusting the internal structure of the public ownership system.

Second, structural readjustment between the public ownership system and the non-public ownership system.

After 20 years of political changes and undulations, the private economy which had been eliminated in the 1950's has re-emerged and risen. This was an important turn in the readjustment of the structure of the ownership system over the past 10 years. Basically speaking, the development anew of private economy is determined by the development conditions of China's social productive forces. With the deep and close union of the level of the public ownership of the means of production and the socialization of production and the reality of productive forces having many levels, being of a pluralistic nature and lack of equilibrium, it is very difficult for the public ownership system to wholly cover the industries and trades of society. Naturally, certain "crevice" or spare ground is left for the non-public ownership economy to use as development territory. However, we can also see that the new development of the socialist commodity economy has played a catalytic role for the rebirth of private economy and that all such factors as the dispersal of economic interests, the pluralism of decision-making main bodies, accumulation of money and wealth in the hands of private persons, the gradual monetarizing of the various essential elements of production and the demands of the expanded re-production of the individual economy have been directly related to the development of the private economy. Congentially, the private economy reborn in the 1980's could only take the small-scale, dispersed, and labor-intensive development road. Hence, it cannot form any great threat to the position as main body of the public ownership system. Facing the serious employment situation from now on and the existence of a large contingent of people visibly or invisibly awaiting employment, we must stabilize the existing policy toward the private economy, perfect and rigidly carry out the rule of law, and employ economic, administrative, and legal measures to solve and guard

against any deviations in the development of the private economy and to guide its continued development within a prescribed scope. For a certain period from now on, even though the development of private economy may have redoubled, the main body status of the socialist public ownership system will not be shaken.

Enterprises of the "three capital sources," as the economic form of a sort of national capitalism, have become an indispensable economic strength in China's socialist modernization program. They are beneficial to the introduction of foreign advanced organizational and management methods, elevation of our own management level, introduction of foreign advanced technical equipment, expediting the internal development in production technique, effective utilization of foreign capital, and easing the internal difficult situation of the lack of capital and the pressure of unemployment. China is a treasure cove of plentiful essential elements of production and is also an enormous market for the sale of commodities. If only we can maintain a stable investment environment which embraces political stability, economic stability and policy stability, then despite the fact that for a certain period from now on there still will exist certain unfavorable factors, enterprises of the "three capital sources" may still hope for rapid development.

The 13th CPC Congress pointed out: In different economic regions and different localities, the various ratios occupied by the various kinds of economy of the ownership system should be allowed to be different. Hence, in the readjustment of the structure of the ownership system, we should start from the general ideology of maintaining the main body status of the public ownership system and development of many kinds of economic constituents. We should suit measures to the locality and allow the existence of many and different kinds and forms of economy of the ownership system. Within the scope of the whole country, national economy must display the leading role and the main-body status of the socialist public ownership system must be maintained. In the economies of certain localities, cooperative collective economy may also play a leading role and this will not damage the main-body status of the public ownership system. In individual areas, the playing of the leading role by individual private economy cannot be repelled while it is well-known that national capitalism is playing a leading role in the special economic zones. In short, an economic structure formed on the foundation of a rational composition of the ownership system is beneficial to the stable, coordinated, and sustained development of the national economy. This is a big and important problem worthy of careful attention in the "Eighth Five-Year Plan" period and even in the 1990's.

**Adding to the Weight of the Reform and Starting Up Readjustment of the Structure by Shen Liren (3088 4539 0086) of the Institute of Social Sciences of Jiangsu Province.**

Concurrently with the achievement of the anticipated effects in the two years of improvement and rectification, new difficulties have appeared, displaying the profound contradiction in the maladjustment of the structure. Hence, structural reform has become the first



impediment that must be overcome in the national economy's road to sustained, steady, and coordinated development.

I The basic cause of market weakness is the imbalance in structure.

At present, weakness of the market is still the major landmark of economic difficulty. However, if we only resort to a matter-of-fact opening up of the market, no great results can be achieved. Over the past half year, the relevant departments and various local governments have successively adopted various opening up methods in finance, production, circulation, purchasing, investment, consumption, and export but although they were not totally useless yet they have not been able to really solve the problem. This is because the basic cause of market weakness is the maladjustment of the structure. In the state of the maladjustment of the structure, the whole reproduction process from production and construction to circulation and consumption is isolated and broken up and the smoothing out of any one snag cannot make the entire process fully connected. For example, when the circulation department increases credits and loans to expand purchasing, the result is only the transfer of the industrial holding of goods in storage to holding by commerce; and in the case of lowering the interest rate on deposits to prevent current consumption from becoming delayed consumption, the effects cannot be realized because the supply structure of the means of living has lagged behind in development from the changes in consumption needs. It is worthy to note that the vital parts of the current maladjustment of the structure are not merely the lack of correlation between such basic industries as energy, and raw materials with the processing industries such as textiles and others as in the past, but also the serious dislocation between the supply structure and the demand structure. This sort of structural maladjustment or structural dislocation has caused impediment to production and the incomplete realization of the value of labor in whole society ultimately manifested in the sluggishness and weakness of the market.

Knowing now that the basic cause of market weakness is the maladjustment of the structure, there is only one way out and this is tightly grasping the readjustment of the product structure, administrative structure, industrial structure, and the geographic distribution and arrangement. Naturally, as the saying goes, "freezing to the extent of three feet's depth is not the outcome of a single day's cold weather" while likewise de-freezing cannot rely on a single day's efforts. If it is claimed that the past readjustment of the ratios between agriculture, light industry, and heavy industry produced effects relatively rapidly, then, it may be expected that the current readjustment of the deep layers of the structure will require much arduous effort and much more time. Each step forward in readjusting the structure will result in each step forward in opening up the market. Opening up readjustment of the structure is the only and sure road to opening up the market and overcoming its sluggishness.

II. The basic motive force in structural readjustment is deepening of reform.

In the last analysis, maladjustment of the structure may be attributed to the traditional structure repelling market mechanism and leading to expanding blindly and the inability, following the increase and decrease in supply and demand and changes in the market, to enforce effective conscious control and spontaneous regulation. Hence, in structural readjustment we cannot merely use administrative measures or mandatory plans but should rely on deepening reform to open up and also rely on reform which is firm, unyielding, and tireless to push forward. Not to do so and to allow the traditional operational mechanism to take over will be a return to the traditional maladjustment of the structure.

To push forward readjustment of the structure by means of using deepening of reform as the motive force requires at least the breakthrough of the following four fronts:

First, breakthrough in enterprise reform. From delegating power and ceding interests to "tax-in-lieu-of-profits" and to contracting for operation, the mechanism of encouraging the enterprises has been steadily growing but there has been no budding of any mechanism of restriction. In addition, the frequent release and retraction of the power of autonomy has led to acts of the enterprises to become of a short-term nature and while there has been certain readjustment in the structure of the products, an innate mechanism which helps to increase profits and avoid losses in the long-term development of an enterprise is still lacking. Deepening of enterprise reform should be related to the form of concrete realization of ownership rights under the public ownership system and strive to make the encouraging mechanism and the restrictive mechanism be of equal weight, since only by so doing can we consciously prevent the friction between short-term interests and long-term interests, and bring about the unification of micro-economic activities and macroeconomic adjustment and control. Many of the comrades believe that enforcing the socialist stock and share system should be probed into and tried out.

Second, breakthrough in price reform. Distorted prices have led to maladjustment of the structure and this is commonly known by people. If the price relations are not smoothed out or put in order, then relations of the structure cannot be smoothed out and may even increasingly slant toward one side. In the past, under conditions of currency inflation, the risks involved in price reform were great and the cost was high. At present, with the market changing from strong to weak, if only we do not too anxiously seek the stability or crystallization of prices, there is sufficient maneuvering ground for effecting price reform from adjusting to de-controlling. Rationalization of the prices will change the state of being long-term anti-regulation, provide the correct signal for readjustment of the structure, and proceed to rationalize and upgrade the structure.



Third, breakthrough in market reform. The targets in market reform are to perfect the market system, perfect the market mechanism, and fully display market's regulatory role. Only by so doing and after the market has attained the mechanism for self-adjustment and control can there be a corresponding macroeconomic environment, that is, market mechanism, and not only can quantitative increase in readjustment be carried out but also a quantitative storage readjustment can be carried out, and the amelioration of the structure can be continuously pushed forward. Market reform is not equivalent to simply de-control of the market but includes organizing the market and building up the market. In these years, these tasks have not been sufficiently performed. In furthering improvement and rectification, striving to push and avoid restricting the growth and development of commodity markets and markets for essential elements of production is tantamount to gradually pushing market reform to a new stage of development.

Fourth and last, breakthrough in the reform of macroeconomic adjustment and control. Many comrades have believed that in these years the weak point in reform has been in macroeconomic adjustment and control. If this implies slowness in the transformation from direct control to indirect control, then it should remind people to set up as soon as possible the mechanism for enforcing market coordination under the guidance of planning and not to return to the traditional structure. Naturally, in improvement and rectification, to suitably strengthen certain administrative adjustment and control measures is necessary but we should guard against their being in opposition to deepening of reform.

Seen from the positive side, the current weakness in the market is caused by the beginning of the transition from a long-term brisk seller's market to a limited buyer's market and with the loosening of the economic environment, a good opportunity is offered for deepening the reform. In the past, such as in the initial period of the 1980's, such an opportunity was also met with, except that it disappeared as suddenly as it appeared. Now, we cannot afford to lose another good opportunity for deepening reform.

**A Talk on Regulation by Planning Mechanism With Commodity Economy as the Object by Hu Peizhao (5170 1014 0340) of Xiamen University**

I am thinking that in discussing the relations between the plan and the market if it is possible not to directly discuss how to integrate the two but to earnestly discuss how we may perform a good job of the planning structure and the planning work so that the commodity economy may develop and grow in a planned manner and with high effects. This is because directly discussing the relations between the two can easily produce viewpoints of metaphysics. To divide them first and then integrate them cannot avoid the appearance of the "plank piece theory" and the "infiltration theory." Actually, in a certain customary method of mentioning it requires some stiff scientific reasoning to find out the exact

meaning. For example, when it is said "integration of planned economy and regulation by market mechanism," the meaning of the wording is not exactly certain. Mentioning it this way may make people think this piece of "planned economy" is over and above the market whereas this piece of "regulation by market mechanism" can go without any planning so that integration of the two carries the meaning of the "integration of planned economy without a market and regulation by market mechanism without any planning. How can planned economy be realized with this sort of integration of the two? In reality, what is opposite to planned economy is the narrow market economy of capitalism and what is opposite to market regulation can only be planned regulation. A comparatively scientific way of putting it is the "integration of planned regulation and market regulation." The planned economy we are enforcing is the result of the combined regulation of plan and market. If what we are discussing is how to perform well the planned structure and planning work, then centralize the line of thought on planning work and it will be easy to naturally touch upon the relations of the innate integration of plan and market.

Under the conditions of the existence of socialism and development of commodity economy, the entire national economy should adopt the form of commodity economy in its operations. With the commodity economy covering the whole national economic life, it determines that the object of planned regulation is commodity economy, that the basic point of planned regulation is the commodity market, and that the mission of planned regulation is to eliminate the spontaneous nature and state of anarchism of commodity economy so that it can develop in a coordinated manner, the gross volumes of supply and demand are in the main balanced, the industrial structure is generally coordinated, and the risks of either over-production or insufficient production will not occur. To achieve this objective, our planning structure must be built on the foundation of the conscious operation of the operational law of commodity economy and particularly the law of value, and our planning work must fully utilize the regulatory mechanism of the market, following the trend of the movement of the commodity economy to enable its success and not going against it.

The planning work with commodity economy as the object must be the following:

1. Take the market as the basic point, coming from the market and going to the market. In determining the planned distribution and allocation of society's gross services between the various production departments, it is necessary to start from studying the history and present condition of the changes in market supply and demand and forecasting the trend of the changes in market supply and demand during the period under planning, estimate the market's volume of demand for the various kinds of planned products and on the basis of the demand volume formulate the plan of the industrial structure and plan for input and output. What the

market needs or needs in a large quantity, we should plan input and/or larger input; what the market does not need or needs only in a small quantity, we should plan no input or less input. If in the course of enforcement, a plan, formulated according to forecast from market information, is found not to have corresponded with actual market conditions, then it must be corrected as promptly as possible. Whether or not enforcement of planned economy has been rational will ultimately be proven by the market.

2. While a scientifically formulated plan has its mandatory character and prestigious character, its completion or fulfillment likewise requires the full and conscious utilization of the market mechanism, particularly the price mechanism. A relatively higher and relatively lower planned price can respectively perform the role of facilitating the fulfillment of the plan and prevent or restrict surplus planned production. The inability to consciously make full utilization of market mechanism cannot fulfill the planned task and will damage the prestige of planned regulation. The prestigious character of planning lies in its scientific character and practicality and hardly in its not being susceptible to changes.

3. Planned regulation cannot comprehensively cover direct regulation over all kinds of products. It is necessary that certain products of publicly-owned enterprises be subjected to the market's free regulation, let supply and demand regulate the price, and let price regulate supply and demand. Relatively speaking, planned regulation is free market regulation, but still it is not an unbridled market economy and likewise is subjected to the restriction of the order in socialist commodity economy. In its functions, planned management is to maintain market order, control the market situation, and prevent disruption and vice-making by improper transaction activities such as speculation, buying and selling for profit by bureaucrats. At the same time, it must have the material protection so that when the contradiction between supply and demand becomes so acute as to cause disorder and confusion, government has the ability to buy in, or put into market the goods in storage, to ease the contradiction, level the prices, and stabilize the market.

It can be seen that planned regulation which takes commodity economy as the object for regulation is a sort of regulation by market mechanism which is self-conscious and adroitly guides action according to circumstances. We should fully utilize the positive side of its benefits to the development of commodity economy, prevent, and restrict the passive side of its disadvantages to the development of the commodity economy to realize the development and growth of planned commodity economy.

The starting point of many economists in discussing the integration of planned regulation and market regulation take as the precondition these two forms of regulation as regulatory measures which exist independently and are distinctly different from each other. They contend that

planned regulation is self-conscious regulation based on the demand of the planned development law of the national economy and that market regulation is spontaneous regulation based on the demand of the law of value. Thus, the integration form they advocate is of a mechanical type, equivalent to saying that it is the addition of planned commodity economy and non-planned commodity economy. The sum total of this addition is not planned economy. Within the precincts of enforcement of planned commodity economy, pure planned regulation without embodying market regulation and pure market regulation not embodying planned regulation do not exist.

**Rational Composition of Integration Form of Plan and Market by Zhang Ping (1728 5493) of the Social Sciences Institute of Hunan Province [passage omitted]**

**Duly Assessing the Situation and Converting Reform to a New Stage by Chan Dongji (7115 2639 3825) of the Economic Research Institute of the Academy of Social Sciences of China [passage omitted]**

**Deepening the Reform Is the Road That Must Be Taken in China's Economic Development by Wang Gaogang (3769 0948 0474) of the Department of Economics, Nanjing University**

In the 10 years of reform, the relations between reform and development have from beginning to end attracted people's attention. We have taken the high-speed growth of the economy to explain the enormous success of reform and the inevitability of deepening reform, and have made a comparison of the history before and after the reform to explain the causes of speedy economic development in the 10 years; but we have also taken the aggravation of the contradictions in the transformation of the structure to show the worsening of the economic development environment. Hence, between reform and development there exist the unanimous relations of helping and supporting and facilitating each other but also exist the non-unanimous relations of mutually restricting and mutually contradicting.

As of now, in the pattern of economic depression and weakness of the market, once again the selection before us is whether to stress the unanimous conditions, absolve the non-unanimous relations, and by means of deepening the reform, start the economy moving, and push forward a new economic development; or to emphasize the non-unanimous relations, weaken the reform, and, through effecting all-around control, maintain the status quo and await development. Looking at the tortuous process of development of socialist economy and bearing in mind the historical missions of China's economy, the answer can only be the former. Therefore, in today's improvement and rectification, adding to the weight of the reform is the inevitable conclusion.

Deepening the reform is the only road to China's economic development. For this reason, we must carry out the following reform:

1. Deepen the reform of the organizational system of enterprise. The organizational system of enterprise is based on the principle of following the allocation demand of resources and the demands of the economic targets to set up the enterprise structure and organize the mechanism for the economic activities of the enterprise. It determines the enterprise's economic nature, purposes of operation, relations between right and interest and the system of the mechanism. First, it is necessary to change the reform ideology of "delegating power and ceding interests," and definitely establish the line of thought of separation of government from enterprise functions. Second, it is necessary to follow the various factors in the restriction of the enterprise organization system to select the organization system for different kinds and categories of enterprises, with enterprises producing articles of general use and a minority of large enterprises of a monopolistic nature enforcing the operational contracting system and other large, medium-sized, and small enterprises adopting a relatively flexible organizational system. Third, it is necessary to carry out reform of the system of ownership right, break the factually existing "departmental ownership system" and "regional ownership system," and by means of this push the fulfillment of division of power of an economic nature. Fourth, it is necessary, based on the needs for readjustment of the industrial structure, to implement amalgamation of enterprises, union of enterprises, and establish the microeconomic foundation needed in the amelioration of structure.

2. Step up the development and growth of the market system. A perfect market system is the congregation point and radiating point of the new structure. At present, while it is truly important to promote the growth and development of markets like commodity market, labor market, and technology market, it is even more important to seek the growth and development of the capital market, and the securities and stock market. This is not only because the latter is the nucleus of the whole market system but also because China's current shortage of commodities, serious state of unemployment, and insufficient development in technology may all be traced to insufficient capital. Insufficiency in capital to a considerable extent is not a result of our not having any capital but a result of our lack of a mechanism to transform into investment the thousand million yuan of banknotes dispersed in the hands of citizens. Stepping up the growth and development of the capital market and the security market has the following benefits: First, increasing investment by the citizens and solving the problems of insufficiencies in commodity, employment, and technology; second, checking the inflation of consumption demand, converting the consumption funds in the hands of the citizens into investment funds, and creating the conditions for checking currency inflation; third, growth of the citizens' wealth and increase in the speed of economic growth; and fourth, promoting the deepening of reform of the enterprise organizational system.

3. Perfect the macroeconomic adjustment and control mechanism. Development of socialist commodity economy requires the strengthening of the macroeconomic adjustment and control mechanism. Strengthening the macroeconomic adjustment is not equivalent to strengthening administrative control. Its main contents are: augmenting the construction of the macroeconomic adjustment and control structure; perfecting the macroeconomic adjustment and control organizational system; strengthening the scientific character and power of influence of economic policy, and particularly strengthening coordinating relations and nature of stability of the various kinds of policies; strengthening the correct nature, cooperative nature, and strength of the various kinds of economic levers in use. The nucleus problem of perfecting the macroeconomic adjustment and control mechanism is the full display and protection of the highest policy-making power, supervisory power, and regulatory power of the people's representatives congresses in the selection of economic development strategy, formation of the economic planning system and economic policy, and application of macroeconomic adjustment and control measures. The central problem of macroeconomic activities is changing the conduct and mechanism of directly running enterprises and centralizing the main attentive power on creating a good social environment for economic development and on formulating clear and scientific regulations on economic activities.

#### **Economic Achievements Since Founding Noted**

*OW3010134590 Beijing BEIJING REVIEW in English No. 44, 29 Oct-4 Nov 90 pp 21-22*

[Text] During the 1950-89 period, China completed 4,488 large and medium-sized projects with 1,679.8 billion yuan in fixed assets. A complete industrial system was established, including coal, electricity, metallurgical, textile, automobile, tractor, aircraft, electronics, petrochemical, space and nuclear sectors, many of which were developed after the founding of New China in 1949.

Over the past 41 years, a total of 170,000 kilometres of dykes have been constructed and more than 80,000 reservoirs built with a total storage capacity of 461.7 billion cubic metres, expanding irrigated areas to 44.92 million hectares.

Since the founding of New China, 126 railways have been constructed, bringing the total mileage from 21,800 kilometres to 53,200 kilometres. In civil aviation, 378 domestic and international airlines have been opened, forming an air network. With 253 berths capable of handling 10,000-ton-class ships, there is an obvious improvement in the equipment and handling capacity of the coastal harbours. The total postal routes have increased from 706,000 kilometres to 5 million kilometres.

Between 1953 and 1989, the gross national product (GNP) increased by an average of 7 percent a year while the national income increased by an average of 6.8 percent a year.



In 1989, compared with the peak year before 1949, yearn output increased 10.7 times, cloth 6.8 times, steel 66.7 times, raw coal 17 times, crude oil 430 times, electricity 97 times, cement 92 times, metal cutting machine tools 33 times, grain 2.7 times and cotton 4.5 times. China's world rating status in steel output rose from the world's 26th to 4th place in 1989, raw coal from 9th to first, crude oil from 27th to 4th while the output of cloth, grain, cotton and meat rose to the first in the world.

In 1989, the total retail value of commodities reached 810.1 billion yuan, an average increase of 6.9 percent a year after deducting the rise in prices. The total value of imports and exports reached US\$111.7 billion, representing 26.3 percent of the GNP as against 10 percent in 1952.

There were 1.07 million schools at all levels in 1989, of which 1,079 were institutions of higher learning. The number of students in college, middle school and primary school was respectively 17.8 times, 39.8 times and 5.1 times that of 1949.

The attendance rate of schoolage children increased from 50 percent in the early 1950s to 97.4 percent. In 1989, the number of scientists and technicians in state-owned units reached 10.35 million, 24.4 times as many as in 1952.

China has played an increasingly important role in international affairs, establishing, to date, diplomatic ties with more than 130 countries.

#### **Achievements From Reform**

The policy of reform and opening to the outside world has brought prosperity to China. Since 1979, when the policy was introduced, the nation's economy has developed more rapidly and the Chinese people have gained more benefits than ever before.

In 1989, the GNP reached 1,578.9 billion yuan, 5.5 times that of 1978, an average increase of 9 percent a year according to constant price. At present, China ranks 8th in GNP in the world.

From 1978 to 1989, the total agricultural output value increased an average 5.9 percent a year, surpassing the average increase of 2.6 percent in the previous 26 years (1952-78). In 1989, the grain output was 407.55 million tons, increasing 33 percent over 1978; the cotton output was 3.79 million tons, an increase of 74.7 percent; oil-bearing crops 12.95 million tons, a two-fold increase while the output of sugar-bearing crops, silk-worm cocoon, pork, beef, mutton, aquatic products and fruits all doubled. In 1989, the total output value of non-agricultural products in rural areas reached 794.5 billion yuan, 9.1 times that of 1978 according to constant price.

During the last 11 years, industrial enterprises under the ownership of the whole people have invested more than 320 billion yuan in technological transformation by

introducing foreign advanced technology and equipment. At present, some of China's high-tech industries and process have reached advanced world standards.

In 1989, the mileage of China's electrified railways was 6,372 kilometres, 6.4 times that of 1978; the handling capacity of coastal harbours increased from 198.34 million tons in 1978 to 490.25 million tons.

The total import and export value in 1989 was 5.4 times that of 1978, an average 16.6 percent increase a year. Since 1979, the grand total of direct foreign investment reached U.S.\$15.5 billion. During this period, China has established labour cooperation ties with more than 100 countries.

Over the past 11 years, 3.82 million students have graduated from colleges and universities, surpassing the total of the previous 26 years. During this period, China has made more than 90,000 important scientific and technological achievements, more than 1,700 winning invention awards and more than 3,000 winning state scientific progress awards. The Beijing electron-positron collider, heavy-ion accelerator, the Long March-2 cluster carrier, communication satellite AsiaSat I, meteorological satellite Storm I, and the launch of underwater long-range missile symbolized the nation's significant breakthrough in science and technology.

During the 1979-1989 period, the national level of consumption increased an average of 6.9 percent a year. In these 11 years, 8.8 billion square metres of dwelling were built in urban and rural areas. The bank savings deposits of urban and rural residents increased from 21.1 billion yuan at the end of 1989.

#### **Li Peng Reportedly Open to Foreign Financing**

HK3110024590 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST) in English 31  
Oct 90 pp 1, 3

[By Ian K. Perkin]

[Text] The Chinese Prime Minister, Mr Li Peng, believes the time for new international project financing on the mainland has almost arrived, according to the chairman of France's Credit Lyonnais banking group, Mr Jean-Yves Haberer.

Mr Haberer was in Hong Kong yesterday after visiting Shanghai and Beijing and meeting the Chinese Premier.

He said Credit Lyonnais, which has extensive banking, share broking and capital markets interests in Hong Kong and on the mainland, was also keen to become involved in financing Hong Kong's Port and Airport Development Strategy (PADS).

"It is possible that we will participate," he said.

"Certainly a new airport is needed, there is no doubt about that.

"But the Hong Kong Government has resources of its own and no one knows yet what the borrowing requirements will be."

Mr Haberer said Credit Lyonnais was interested in the financing of all projects concerned with China and had been heavily involved in export and project financing on the mainland.

But he said that with the introduction of the mainland's economic austerity programme well over two years ago this business had all but stopped.

Mr Haberer said that the Chinese Premier had indicated last week that he now believed that the austerity programme was producing good first results.

Mr Li was apparently satisfied with the growth in gross national product in the first nine months of the year and indicated that it was almost time to resume project financing on the mainland.

Mr Haberer said the Chinese Premier indicated that new business would soon be developing for international bankers.

"As a banker, I appreciate the efforts that have been made in the last three years," he added.

Mr Haberer said that Credit Lyonnais was confident about the prospects for future financing projects on the mainland.

"Our evaluation of Chinese risk is not negative."

Credit Lyonnais already has four representative offices on the mainland—in Beijing, Shanghai, Guangzhou and Shenzhen—and has just opened its first full branch in China in Xiamen.

The group is also keen to open up another branch office in Shanghai, but Mr Haberer said yesterday the timing would depend on the decisions of the mainland authorities.

"When it is possible, we will apply," he added.

But he indicated that the Chinese authorities seemed more interested to grant branch status in Shanghai because of its position as a financial centre, developments in the city such as Pudong and the preparations being made for a stock exchange there.

He said the branch in Xiamen may have been granted because of that city's close relationship with Taiwan and Credit Lyonnais' strong position in Taiwan as the second-biggest foreign bank there.

Credit Lyonnais already has two branches in Taiwan and is seeking to gain approval to open a third.

Mr Haberer indicated yesterday that the bank is concentrating heavily on developing its European presence.

"We are trying to get a European dimension, rather than a domestic one," he said. "We are preparing Europe as our domestic market of the future."

But he said this concentration on Europe had not lessened the Asia-Pacific region as a priority for the bank.

This is despite the fact that only six percent to seven percent of its assets are in the Asia-Pacific, compared with 50 percent in the French domestic market and a further 25 percent in Europe.

He said this imbalance was partly accounted for by the fact that the bank had large retail banking operations in France and Europe, whereas it did not operate as a retail bank in this region.

Mr Haberer said Credit Lyonnais was committed to the Hong Kong market, having come here in 1974 in its first step into the Far East market.

### Impact of Foreign Investment 'Undeniable'

*OW2810045290 Beijing XINHUA in English  
0300 GMT 28 Oct 90*

[Text] Beijing, Oct 28 (XINHUA)—Foreign investment in China since 1979 has brought about great changes in China's economic development, according to China's International Investment Institute.

China expects the number of its overseas-invested enterprises to top 27,000 by the end of this year with a total of 39 billion u.s. dollars committed overseas capital. By the end of September, the number of such firms had already reached 25,000.

Although both the number of these firms and their existing assets (more than 17 billion U.S. dollars) accounted for only four percent of China's total businesses and assets, "their impact is undeniable," said Chu Baotai, director of the institute.

Chu said these firms with foreign investment which enjoy more advanced technology have forced China's state-owned and collectively-owned enterprises into market competition. Thus the Chinese firms are forced to improve their production and management to stay in business.

These firms have also brought to China world-advanced technology, which is applied in many factories under cooperative contracts with the firms. Accordingly they helped improve China's manufacturing industries and the competitiveness of Chinese-made products on the world market, Chu said.

### Open Cities, Economic Zones Attract Investors

*OW3010105690 Beijing XINHUA Domestic Service  
in Chinese 0417 GMT 30 Oct 90*

[By reporter Cao Jian (2580 0256)]

[Text] Tianjin, 30 Oct (XINHUA)—This reporter has learned from the recent national conference on registration and management of foreign-funded enterprises in the coastal open cities and special economic zones that an increasing number of foreign investors have bolstered their

confidence in investing in these areas because of the favorable investment climate and low-cost labor found there. By the end of last September, there were 11,335 foreign-funded enterprises in these 14 coastal open cities and five special economic zones, a 23.3 percent increase over the same period last year. The accumulated investment according to signed agreements totaled \$45.97 billion.

The number of foreign-funded enterprises registered in all localities this year is much higher than last year. By the end of September, Shantou City had approved and registered 244 foreign-funded enterprises, an increase of 35 percent from the same period last year. In some localities, foreign firms have made additional investments, which is a healthy sign. Six of the 23 partly and wholly foreign-owned enterprises now operating in Qinhuangdao City have made additional investments. The changes in production structure of these enterprises are noteworthy, as indicated by the growing number of enterprises geared toward production, technology, and the earning of foreign exchange, as well as the larger number of new products they are producing. The three types of partly and wholly foreign-owned enterprises, which have advanced technology and earn more foreign exchange, are playing a decisive role in some localities.

The rapid increase in the number of wholly foreign-owned enterprises is characteristic of foreign investment this year. Information disclosed by this meeting shows that wholly foreign-owned enterprises and Taiwanese-funded enterprises have not only developed rapidly in southeast coastal areas, but also have made great progress in other localities. At present, 1,747 wholly foreign-owned enterprises and 731 Taiwanese-funded enterprises are operating in the coastal open cities and special economic zones.

#### **Tight Credit Policy Reportedly To Continue**

HK3010030290 Beijing CHINA DAILY in English  
30 Oct 90 p 2

[By staff reporter Zhang Yu'an]

[Text] The current tight credit policy will continue at the beginning of the Eighth Five-Year Plan Period (1991-95), a senior Chinese bank official disclosed yesterday.

The official, from the country's key capital construction investment bank, said that at the moment there would be no increase in loans despite a substantial rise in deposits.

In the first nine months of this year, deposits in the People's Construction Bank of China [PCBC] increased by 25.9 per cent over the same period last year.

The official, who declined to be identified, did say, however, that the bank would ensure a steady increase in loans in the future. But this will be tightly controlled.

Other key tasks of the bank over the short term include further improving its loan-granting structure; raising loan efficiency; continuing an emphasis in loan-granting

favouring capital construction investment projects and storage equipment and supporting technical innovation and export-oriented firms.

He said the bank's hard currency loans will go mainly to technical innovation projects in the industries of energy resources, transportation, raw materials, light industry and textiles.

Sino-foreign joint ventures with a good economic return will also enjoy priority treatment, the official said.

The bank has provided financial support this year to about 100 large construction projects in the energy, transportation, and communication industries.

Investment in these major State projects, which totals over 18 billion yuan, has been decided in line with the State's industrial policy of emphasizing the development of basic industries, according to bank officials.

The PCBC, one of China's banking giants, specializes in the field of capital construction.

Among the over one hundred projects financed by the bank, the 375-kilometre expressway from Shenyang to Dalian in Northeast China has been completed.

Bank officials say that about 70 per cent of the bank's funds each year go into the energy, transportation and communication industries.

During the past four years, the bank has invested 88.6 billion yuan in 104 major energy projects, and 25 billion yuan in 60 major transportation and communication projects.

#### **Stronger Macroeconomic Control, Regulation Urged**

HK2710080190 Beijing XINHUA Domestic Service  
in Chinese 1113 GMT 24 Oct 90

[Report by Zhang Jinsheng (1728 6930 0524): "Analysis of State Statistics Bureau Holds Macroeconomic Regulation and Control Still Needs To Be Improved and Strengthened To Overcome Current Economic Difficulties"]

[Text] Beijing, 24 Oct (XINHUA)—Zhang Zhongji, State Statistics Bureau spokesman, talking about our country's economic situation at a news conference today, said that the prominent problems now existing in economic operation are overstocking and decreasing returns. Therefore, it is necessary to improve and strengthen macrolevel regulation and control, to manage better at the macrolevel and invigorate more at the microlevel, so as to allow the whole economy to operate orderly and vividly.

According to data provided by Zhang Zhongji, in the first three quarters of this year, the profits and taxes materialized by the planned state-run industrial enterprises decreased 21.5 percent, a 100 percent increase in loss incurred in the losing enterprises. The returns on



commercial economy also dropped sharply. This intensified the conflict between the state's unbalanced income and expenditure. In the first three quarters of this year, the state's revenue increased 13.7 percent over the same period of last year, but at the same time expenditure increased 16.8 percent.

Zhang Zhongji made an analysis and said: At present, not all the measures for invigorating the economy are ready, and there must be some time before these measures begin to play a role in economic operation. Judged from the superficial structure, the main reason is that some obstacles hindering the cycle of social reproduction have not yet been cleared up. Judged from the deep structure, the main reason is that the current economic system and its operational mechanism are not that rational. Because various economic relations have not been straightened out, and because the ability for macro-level regulation and control is inadequate, the limited production factors cannot be arranged in the best manner, while localism and blocked markets have had an impact on the normal circulation of production factors, intensifying the conflict of irrational structure.

Commenting on the economic prospects for the fourth quarter of this year, Zhang Zhongji said: Along with further increase in social demand, the speed of production, construction, and circulation will increase, and the economy will further improve. But to attain the overall planned indexes for the year, more arduous and careful work must be done. Therefore, the emphasis on macro-level decision and management should be the implementation of the relaxing measures approved by the state as soon as possible on the one hand, and on the other hand, enhancing social demand to the extent that it eventually returns to a reasonable level which would support appropriate economic growth, while avoiding a new round of over-heated economy and inflation. It is also necessary to respond to the need of adjusting structure and increasing returns, promptly begin corresponding reform measures, and fully arouse the eagerness from various quarters during the period of rectification and improvement.

#### **Seminar Views Social, Economic Development**

HK2210124790 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0840 GMT 19 Oct 90

["Dispatch": "Experts and Scholars Gather in Jiaozuo To Discuss the Continental Bridge and the Strategy for the Social and Economic Development in China"—ZHONGGUO XINWEN SHE headline]

[Text] Jiaozuo, 19 Oct (ZHONGGUO XINWEN SHE)—In September this year, the Northern Xinjiang railroad of China was linked up with the Tuxi [0960 6007 Turkmenistan-Siberia] railroad of the Soviet Union, being a continental bridge stretching across Asia and Europe, and giving rise to a series of complicated problems. At a four-day "seminar on the Asian-European continental bridge and the strategy for the

social and economic development of China" that concluded today, some 60 experts and scholars of different branches of learning from various places in the country and Taiwan, conducted a discussion on the new favorable circumstances provided by the opening up of the central and western regions of China; to the promotion of the economic relations and trade between Asia and Europe; and on how to manage and use this continental bridge well.

The experts present at the seminar unanimously held: The second Asian-European continental bridge from Lianyungang Port in the east to Rotterdam in the west opens up an two-way east-west thoroughfare for China's opening to the outside world, and forms a new pattern of opening to the outside world. This is beneficial to economic coordination and development in the eastern, central, and western parts, the rational disposition and resources, the readjustment of the industrial mix, the reorganization of the production factors, and the reasonable interflow of commodities and provides the central and western regions of China with transport facilities in the eastern and western directions. A new transport shortcut has been opened up for mutual trade between Japan, South Korea, Taiwan, and Southeast Asian countries and regions and Eastern Europe, Western Europe, western Asian countries, so that these two future world economic and trade centers of the Asia-Pacific region and Europe will keep even closer contacts and will be of important international significance.

Some experts pointed out: At present, a continental craze is being quietly whipped up but at the time of the "craze," we must conduct sober analysis of the continental bridge. As it involves several countries, how to utilize this international continental bridge well is a huge and complicated systems engineering project and it is necessary to attach sufficient importance to some restrictive factors, to see its arduousness, and to carry out advance study.

It was learned that the opening and development of the Asian-European continental bridge has been initially included in the state "Eighth Five-Year Plan."

#### **Freight, Passenger Transport Statistics Decline**

HK2910052290 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 29 Oct 90 p 3

[Text] Both freight and passenger transportation continued on a downward trend in the first eight months of this year, according to the State Statistical Bureau.

And it seemed that the downward trend accelerated during the period despite the beginnings of a recovery in industrial production.

The statistics showed that the value of freight carried by rail and truck in the first eight months of this year dipped 2.8 percent to 1.7 billion yuan.

In the breakdown, rail freight inched up only 1 per cent to 983 million tons while truck freight slipped 9.5 per cent to 371 million tons.

Shipping dived 5.9 per cent to 354 million tons while air freight was up 9.5 per cent to 213,000 tons.

The turnover of freight—an important indicator in monitoring unit labour productivity and economic efficiency—increased 5.2 per cent to 1487.5 billion ton-kilometres in the first eight months of this year.

Of the total, the railways saw a 3.5 per cent rise to 704.7 billion ton-kilometres while truck freight turnover plunged 13.4 per cent to 23.1 billion.

Shipping turnover jumped 6.6 per cent to 759.2 billion ton-kilometres while air freight turnover dived 8.2 per cent to 470 million ton-kilometres.

Statistics on passenger volume and turnover were dismal in the first eight months of this year.

About 3.54 billion passengers were carried in the first eight months, down 7.4 per cent.

In the breakdown, 642 million passengers took the trains, down 21.5 per cent while 2.76 billion passengers travelled by bus, down 3.3 per cent.

125 million passengers travelled by boat, down 21.5 per cent while 9.18 million flew by air, an increase of 15.6 per cent.

With the sharp decline in passenger volume, the turnover of passengers also witnessed a steep drop of 14.4 per cent to 320.77 billion person-kilometres.

In the breakdown, the railways saw a 20.9 per cent drop to 175.33 person-kilometres while bus travel witnessed a 5.8 per cent decline to 122.41 billion person-kilometres.

Boat travel turnover fell 21.7 per cent to 10.05 billion person-kilometres while air travel turnover rose 8.2 per cent to 12.98 billion person-kilometres.

In another development, because of the decrease in imports, the freight handled at the major coastal ports dropped 2.9 per cent to 303 billion tons in the first eight months of this year.

### **Zhejiang Develops Dozen Top Grade Tea Varieties**

OW2910181290 Beijing XINHUA in English  
1506 GMT 29 Oct 90

[Text] Hangzhou, October 29 (XINHUA)—Chun'an County of southeast China's Zhejiang Province has developed a dozen varieties of top grade tea in recent years.

Chun'an County, located in the western part of Zhejiang Province, is a mountainous area with plenty of rain and favorable climate. It has a thousand year history of producing tea. Early in Tang Dynasty (618-907) the county paid tribute to the imperial court with a high quality tea named "jiu keng mao jian."

The traditional variety has ranked among the 10 famous teas in China.

In recent years, the local government has zoned tea production centers according to natural conditions and traditional cultivation modes, help local people adopt modern cultivation measures such as pruning and fertilizing and scientific plucking and processing methods.

In the past seven years, the local government has invested 5.37 million yuan in building tea orchards and training tea technical personnel. The tea growers who sell superior tea to the state will enjoy a 50 percent tax reduction.

Since 1983, the county has cultivated such popular varieties as "jiu keng mao feng," "qian dao yu ye," "qing xi yu chan" and "mu zhou yun wu." They have won three state prizes and seven provincial prizes.

This year's output of brand tea was 45,000 kg, an increase of 60 percent over that of last year, demonstrates that the government's efforts have had a positive effect on the industry.

A number of villagers have been better-off thanks to the development of brand tea. For instance, Liyang Township's Yuquan Village, with a population of 112 residents, produced 5,750 kg of top grade tea last year. The tea earned the residents an income of 235,700 yuan, accounting for 68 percent of the village's total income. Each household received an additional 2,000 yuan from the production of its top grade tea.

### East Region

#### Fujian Party Congress Holds Preliminary Meeting

HK3110085590 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 26 Oct 90

[Text] This afternoon [26 Oct], a preliminary meeting of the fifth Fujian party congress was held at Fuzhou's (Xiguo) Auditorium. Chen Guangyi, Jia Qinglin, Hu Hong, Cheng Xu, Yuan Qitong, Lin Kaiqin, Zhang Kehui, He Shaochuan, Wang Jianshuang, Zhao Xuemin, Chen Shuqing, (Wen Fushan), and (Huang Ming) sat on the rostrum. Comrade Chen Guangyi presided over the meeting.

The meeting voted, by a show of hands, for a 19-member committee responsible for assessing the qualifications of delegates to the fifth Fujian party congress, for a presidium consisting of 58 people, and for a congress secretary general. The meeting also approved the congress agenda.

According to the agenda, the fifth provincial party congress will listen to and examine the work report presented by the Fourth Fujian Provincial CPC Committee; examine work reports submitted by the provincial advisory and discipline inspection commissions; and elect the Fifth Provincial CPC Committee, and new provincial advisory and discipline inspection commissions.

Jia Qinglin, secretary general of the congress, spoke at the preliminary meeting. He said: The congress' main task is to uphold the party's basic line, conscientiously sum up experiences, and further define the objectives of struggle for the future. We must truly strengthen party building, and promote reform and opening up in our province and construction, so that they will continue to advance along the socialist road with Chinese characteristics. This is a congress which will sum up the past, look forward to the future, inherit the past and usher in the future, carry forward the revolutionary cause, and forge ahead into the future. Convening this congress well will play a good role in uniting with, organizing, encouraging, and giving impetus to the broad masses of cadres and people, so that reform and opening up in our province will be carried out in a still better and faster way.

Jia Qinglin also briefed participants on preparatory work for the party congress, and set forth several demands aimed at convening the congress well.

#### Chen Guangyi Speaks

HK3010153790 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 28 Oct 90

[Text] In his report at the Fifth Provincial CPC Congress, Comrade Chen Guangyi put forth the general objective and demands and main tasks for the next five years. The general objective and demand is to mobilize and rely on the party organizations at all levels and the vast numbers of cadres and masses to make concentrated efforts to carry out reform and construction faster and

better in our province under the guidance of the party's basic line to achieve the target of redoubling the GNP and building our province into a stable, prosperous, civilized, basically well-off, and open province and to contribute to the reunification of the motherland.

To achieve this general objective, our main tasks are: To fulfill the Eighth Five-Year Plan in an all-around way and further strengthen the national economy; to increase the GNP by an average of eight percent a year and strive to quadruple it in 1995 from the base of the 1980 figures; to make continuous efforts to push forward the experiment on comprehensive reforms and vigorously promote the development of opening up to the outside world; to strengthen the construction of basic facilities and basic industries as well as agricultural construction and strive to increase the total grain output to 10 million tons in 1995; to fulfill the task of making the province green, increasing the proportion of forest cover to more than 50 percent; to achieve greater development in communications, energy, telecommunications, and raw materials production and promote scientific and technological progress and personnel training; to strengthen exchanges between both sides of the strait and external contracts; and to continue to do a good job in the building of socialist civilization.

In order to achieve the objective and fulfill the tasks for the next five years, the party organizations at all levels must, in both guiding ideology and practical work, firmly grasp the work in the following fields:

1. Continue to take economic construction as the focus of work and endeavor to achieve a sustained, steady, and harmonious development of the national economy.
2. Continue to implement the strategy of developing an export-oriented economy and promote a simultaneous development in both mountain and coastal areas.
3. Effectively strengthen the agricultural foundation and promote both urban and rural economies in an all-around way.
4. Adhere to the socialist orientation and actively promote the development of reforms.
5. Put science, technology, and education in an important strategic position in economic construction and social progress.
6. Strengthen construction of socialist democracy and legal system around the central task of social stability and social progress.
7. Promote the building of socialist spiritual civilization to a new level with the training of new people having high ideals, moral integrity, a good educational background, and a sense of discipline as the center.

#### Shandong People's Congress Meeting Concludes

SK3110050790 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 30 Oct 90

[Text] The 18th meeting of the Standing Committee of the seventh provincial People's Congress concluded at



the conference room for the provincial People's Congress Standing Committee at the Zhenzhuquan Auditorium on the afternoon of 30 October after successfully fulfilling the various items on the agenda.

At the plenary session that afternoon, the participants endorsed the several regulations of the Shandong Provincial People's Congress Standing Committee on the examination, approval, and supervision of financial budgets; the Shandong provincial regulations on the protection and management of cultural relics; the report of the financial and economic committee of the provincial People's Congress on examination of motion No. 34 handed over to it for examination by the presidium of the third session of the seventh provincial People's Congress; the report of the education, science, culture, and public health committee of the provincial People's Congress on examination of motion No. 7 handed over to it for examination by the presidium of the third session of the seventh provincial People's Congress; the report of the education, science, culture, and public health committee of the provincial People's Congress on examination of the No. 35 motion handed over to it for examination by the presidium of the third session of the seventh provincial People's Congress; and appointments and removals of the functionaries of the provincial Higher People's Court and the provincial People's Procuratorate.

Xiao Han, vice chairman of the provincial People's Congress Standing Committee, presided over that afternoon's session. Attending were Li Zhen, chairman; and Lu Hong, Wang Shufang, Xu Jianchun, Xu Sen, Yan Qingqing, Li Ye, and Ma Xutao, vice chairmen of the provincial People's Congress Standing Committee. Attending as nonvoting delegates were Zhang Ruifeng, provincial vice governor; some deputies to the Seventh National People's Congress; deputies to the seventh provincial People's Congress; members of the special committees of the provincial People's Congress; Yu Peigao, president of the provincial Higher People's Court; responsible comrades of the provincial People's Procuratorate, the various work departments of the provincial People's Congress Standing Committee and relevant departments of the provincial government; and responsible comrades of city People's Congress standing committees, prefectural People's Congress work committees, and some county and city [shi] People's Congress standing committees.

#### **Jiang Chunyun Watches Archives Exhibition**

*SK3010021990 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 25 Oct 90*

[Text] The exhibition on the progress of the Shandong Provincial Archives was recently held in Jinan. Leading comrades of the provincial party committee, the provincial People's Congress Standing Committee, the provincial government, and the provincial Committee of the Chinese People's Political Consultative Conference [CPPCC], including Jiang Chunyun, Ma Zhongchen, Li Zhen, and Li Zichao, watched the exhibition.

The Shandong Provincial Archives was constructed in 1963. For the past 27 years, it has vigorously developed under the concern of the party and government. At present, it covers an area of 8,800 square meters and has 320,000 files and data. In addition, it is equipped with modern facilities such as copy machines, computers, and automatic burglar and fire alarms. Since 1980, it has received more than 70,000 people who came to look into the archives, and compiled and published 32 copies of historical data with 12 million characters. Through checking and reading files in the provincial archives, departments concerned have clarified the historical facts, implemented policies concerning relevant personnel in line with the files, and solved more than 4,600 disputes. The provincial archives have also actively carried out scientific research and academic research work on archives. More than 20 archives personnel have issued some 40 academic theses in magazines inside and outside the province. Three archives scientific research projects have won prizes in our province and in the country.

#### **Addresses Conference**

*SK3110052590 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 30 Oct 90*

[Text] The provincial conference of secretaries of city, prefectural, and county party committees was held in Jinan from 27 to 30 October. Jiang Chunyun, secretary, and Ma Zhongchen and Zhao Zhihao, deputy secretaries of the provincial party committee, presided over the conference. Jiang Chunyun gave an important speech at the end of the conference.

Participants at the conference exchanged experiences and conducted in-depth discussions on the efforts to continue to implement the guidelines of the fourth, fifth, and sixth plenary sessions of the 13th party Central Committee; adhere to the principle of improvement, rectification, and deepened reform; take economic construction as the central task; gain momentum from the socialist ideological education; firmly grasp the building of village-level organizations as the key link; promote the two civilizations and other various undertakings in rural areas and consolidate and develop good political and economic situations in rural areas. They clarified the ideas and tasks for the current rural work, enhanced their confidence in achieving success in the various work in rural areas, and conducted study on the rural work for the coming winter and spring.

Ma Zhongchen, deputy secretary of the provincial party committee, spoke at the beginning of the conference to relay the guidelines of the national forum on the building of village-level organizations. Tan Fude, Zhang Quanjing, and Miao Fenglin, Standing Committee members of the provincial party committee, gave speeches on strengthening the building of village-level organizations with party branches as the core, on continuously conducting education aimed at studying the party Constitution and correcting party style, and on doing a good job in socialist ideological education in rural areas, respectively.

Jiang Chunyun, secretary of the provincial party committee, spoke at the end of the conference. He stressed that it is necessary to further strengthen party leadership over rural work and consolidate and develop the good rural situation throughout the province. Jiang Chunyun said: Since the beginning of this year, party committees and governments at various levels throughout the province have done a great amount of fruitful work in line with the actual conditions of Shandong thanks to the guidance of the guidelines of the fourth, fifth, and sixth plenary sessions of the 13th party Central Committee. The entire rural situation has been good, with a good agricultural harvest and new progress in forestry, animal husbandry, cottage industries, and fishery. By overcoming such difficulties as a sluggish market and a short supply of funds, township enterprises have achieved fairly rapid growth. Based on developed production, peasants' income will also have a substantial increase. At present, both cadres and peasants are happy, and a picture of prosperity can be seen everywhere in rural areas. In addition to the mercy of the nature and abundant rainfall, such a good situation in the rural areas of the province should be attributed mainly to the efforts of party committees and governments at various levels to conscientiously implement the series of instructions from the party Central Committee and State Council on strengthening agriculture and making rural work successful, to adhere to the guiding thoughts and work methods compatible with actual conditions, and to lead the vast number of party members, cadres, and peasants to work hard.

Jiang Chunyun pointed out: Despite the good situation, leading comrades at various levels should pay particular attention to finding out where they lag behind and their problems, adopt measures to solve them, and achieve better results in their various endeavors. They should prevent and overcome not only the ideas and feelings of fear of difficulties, anxiety, and lethargy but also the ideas of complacency with the current situation and refusal to make progress to strive for better and greater development in various endeavors of rural areas.

Jiang Chunyun stressed: To consolidate and develop the good situation in the rural areas of our province, we should continue to implement thoroughly the guidelines of the fourth, fifth, and sixth plenary sessions of the 13th party Central Committee, and the principle of improvement, rectification, and deepened reform, persistently take economic construction as the central task, gain momentum from socialist ideological education, firmly grasp the building of village-level organizations as the key link, and strive to promote the two civilizations in rural areas.

On the work for the coming winter and spring, Jiang Chunyun pointed out: In the coming winter and spring, the rural areas throughout the province should carry out various work in a down-to-earth manner that provides a solid foundation for a good agricultural harvest next year, further development in the rural economy, and consolidation of the socialist front in rural areas.

First, we should concentrate efforts on agricultural production and make it a success. We should organize and mobilize the masses to successfully develop farmland water conservancy works in order to fundamentally change the conditions for agricultural production step by step. We should pay close attention to industrial and sideline production. We should manage wheat fields well with every possible means to lay a solid foundation for a good harvest in next summer's grain and even a good harvest for the whole year.

Second, we should intensify specific guidance to the rural reform. To deepen the rural reform, we should make farming, industrial production, commerce, foreign trade, scientific and technological work, and transportation a coordinated process, with the focus on developing rural productive forces, stabilizing the household contract system, improving the dual management system whereby unified management is combined with separate management, strengthening the service system, and developing the collective economy. The central link is to establish and strengthen the system of socialized service.

Jiang Chunyun pointed out: The rural reform should be deepened on the basis that the household output-related contract responsibility system is stabilized, and that full consideration is given to the current economic foundation and how the masses have prepared for it. We should never proceed with difficulties, be overanxious for quick results, adopt oversimplified measures, and return to the old road. When leading peasants to take the road to common prosperity, we should prevent and overcome the tendency of egalitarianism, and unfailingly implement the policy to allow some people to achieve affluence ahead of others through their honest labor and legal businesses. We should continue to encourage and support the healthy development of the individual economy in rural areas, and give play to its role as a beneficial supplement to the socialist economy.

Third, we should conscientiously do a good job in the building of village-level organizations. Jiang Chunyun said: The basic tasks and requirements of the building of village-level organizations are: 1) To build good party branches and give play to their central and leading role; 2) to build villagers' committees well, the Communist Youth League, women congresses, militia organizations, and cooperative economic organizations and fully perform their respective functions; 3) to establish and improve the various rules and regulations for the work related to village-level organizations to regularize and systematize the work of villages; and 4) to maintain close party-populace and cadre-populace ties and lead peasants to successfully build the socialist material and spiritual civilizations, with the focus on building party branches.

Fourth, we should do a better job in the activities to study the party Constitution and correct party style.

Fifth, we should intensify the socialist ideological education. Jiang Chunyun said: If socialism does not occupy

the front of rural areas, capitalism will. Intensifying the socialist ideological education among peasants is our party's long-term and important task in rural areas. Through education, we should guide peasants to enhance their faith in socialism, unswervingly take the socialist road under party leadership, clarify the direction of rural economic development, discover ways to develop production and achieve prosperity at an early date, implement the party's policies for rural areas, have greater enthusiasm for production, do a good job in building spiritual civilization, establish new and healthy social conduct, solve the problems arising in the party-populace and cadre-populace ties, and maintain the party's closeness with the masses.

Jiang Chunyun pointed out: Ideological education, education through positive examples, and self-education should be the major forms of the current education activities. Through study and education, we should enable cadres and ordinary people to raise their awareness, and rely on themselves to solve ideological problems and problems in specific work. The education should be conducted under party leadership and by relying on township and village party organizations. Cadres sent to rural areas should not take over this job. We should resolutely prevent and correct some leftist ways of doing work, guard against formalism, arbitrary issuance of slogans, and the practices of having everyone make self-criticism, and making things difficult for others covertly or overtly.

Speaking on the preliminary plans for next year's work, Jiang Chunyun said: The important thing is to fulfill eight tasks. First, we should continue to regard stability as a task above everything else and carry it out. Second, we should reap a comprehensive agricultural harvest. Third, taking economic construction as the central task, we should ensure sustained and stable growth in industrial production. Fourth, we should invigorate the circulation of goods with every possible means, and expand both domestic and international markets. Fifth, we should facilitate reform and opening up in an active and prudent manner. Sixth, we should continue to strengthen ideological and political work. Seventh, we should conscientiously do a good job in party building and maintaining administrative honesty. Eighth, we should further change our work styles, and maintain close party-populace and cadre-populace ties.

#### **Li Zemin Attends United Front Work Conference**

OW3110082590 Hangzhou Zhejiang Provincial  
Service in Mandarin 1000 GMT 30 Oct 90

[From the "Provincial Hookup" program]

[Text] A provincial conference on united front work closed in Hangzhou this afternoon. Wang Qichao, head of the organization department of the provincial party committee Standing Committee, presided over the closing session.

Li Zemin, secretary of the provincial party committee; Song Kun, deputy head of the United Front Work Department of the CPC Central Committee; and Li Chaolong, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference attended the session.

Ge Hongsheng, deputy secretary of the provincial party committee, spoke at the session. He said: The massive number of party members in the province, especially the leading cadres at all levels, should thoroughly study and implement the guidelines of the national and provincial united front work conferences. They should carry forward the party's fine traditions in united front work. They should attach importance to and thoroughly carry out the work.

He said: United front work is not exclusively the business of the departments of the party committees, or that of the central, provincial, or city authorities; rather, it is the mission for which governments and departments at all levels as well as all primary units are responsible. It is the work of the entire party.

Ge Hongsheng emphatically pointed out: The key to implementing the guidelines of the national and provincial united front work conferences lies in carrying them out one by one. He said: All localities should map out their measures based on their actual conditions. They should solve their problems one by one. They should not only pay attention to the work as a whole, but also focus on specific tasks and solve thorny problems.

Li Zemin and Wang Qichao also spoke at the session.

### **Central-South Region**

#### **Deng Hongxun Urges Boost in Sugar Production**

HK3010043190 Haikou Hainan Provincial Service  
in Mandarin 2300 GMT 23 Oct 90

[Excerpt] Yesterday morning, provincial party committee Secretary Deng Hongxun attended the meeting, which is now in session in Haikou, on the work for the 1990-1991 sugar cane pressing season and quality control, and gave an important speech.

Secretary Deng said: In the past and at present, the sugar industry has remained the key industry of our province's industrial economy. We must have an adequate understanding of the status and role played by the sugar industry in economic construction in the big special economic zone. Apart from being a component part of this province's industrial economy, the sugar industry is an important means to develop our agricultural economy and help peasants to rid themselves of poverty and become prosperous. Again the sugar industry will help train a contingent of skilled workers and a contingent of competent managing cadres. This is of great importance.

When talking about the key tasks for the present pressing season and the future, Deng Hongxun pointed out: It is



necessary to readjust unreasonable prices of sugar cane and sugar, minimize the adverse effect of unfavorable weather, update techniques, and solve the problem of the sugar refinery operating under or beyond its capacity. We should step up the overall technical transformation of the sugar refinery, strengthen quality control, work hard to raise the sugar cane yield per unit area, and increase bargaining leverage to have better economic performance. All responsible comrades at all levels should strengthen their leadership over the production of sugar cane and sugar and the sugar industry, and help peasants and the sugar refinery solve their difficulties.

He called on meeting participants to go all out, make concerted efforts to open up brand-new prospects for the production of sugar cane and sugar in this province. He said we must try our best to hit the following record targets: Producing 320,000 tonnes of sugar in the present pressing season with the realized output value amounting to 347 million yuan and profits and taxes to 132 million yuan. [passage omitted]

#### **Speaks at Report Meeting**

*HK3010063090 Haikou Hainan Provincial Service  
in Mandarin 2300 GMT 23 Oct 90*

[Text] Yesterday morning, the provincial mobile group reporting meritorious deeds achieved in serving the motherland and revitalizing the precious island made reports in the provincial party committee's auditorium. Provincial leaders Deng Hongxun, Zheng Zhang, Meng Qingping, Zhang Jintao, and Dong Fanyuan attended the meeting. Also present were (Xiao Xuchu), commander of the People's Liberation Army Hainan Provincial Command, and (Zhang Sufa), commander of the South China Air Unit.

The report meeting was chaired by (Wang Houhong), director of the provincial party committee propaganda department. Before the meeting, Young Pioneers presented flowers to members of the group.

The first report was entitled: Silent Devotion, Sparkling Life was made by (Lin Ying), a representative from the Army unit where martyr (Lin Shenlin) had worked. The second was entitled: My Whole Life Is Linked to the Career of Planting Rubber Trees in China by Professor (Liu Fengquan) from the South China Tropical Crops Research Institute. The third was entitled: Loyal Devotion in the Remotest Corner of the Earth made by (Liao Zhongwei), deputy team leader of the geological prospecting team under the provincial geological prospecting bureau. The fourth was entitled: Dauntless Guards in the Remotest Corner of the Motherland by (Yu Shizhong), a representative from the armed police detachment stationed in (Sanya). Their reports were vivid and moving, greatly encouraging cadres and the masses.

Secretary Deng Hongxun gave a speech at the meeting. He said: Comrades from the group reporting meritorious deeds are representatives of tens of thousands of advanced workers coming to the fore in promoting

material and cultural and ideological progress in the special economic region. Some have consistently done good for the people. When the people's lives and property were at risk, they, following the example set by Lei Feng, came out boldly, betraying no fear in the face of danger. Some intellectuals have struck root in the precious island for decades and have worked their hearts out in building Hainan. Some cadres have proved themselves loyal guardians of the special economic zone, neither subdued by force nor tempted by wealth and rank and being devoted to their duty. Other basic level cadres have been diligent and conscientious in serving the people, bearing responsibility without grudge. These people have through their own action shown how one can live a meaningful life, a matter of the greatest significance. They have created spiritual wealth in building the special economic zone. We should follow their example in being loyal to the people and the party, having ardent love for the motherland, holding high the banner of patriotism and socialism, uniting the people of all nationalities, and achieving extraordinary success at an ordinary post.

#### **Henan People's Congress Holds Meeting**

*HK3110070590 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 25 Oct 90*

[Text] The 18th meeting of the seventh provincial People's Congress Standing Committee held its second full session yesterday [25 October] morning to listen to relevant reports and explanations. Yang Xizong, chairman of the provincial People's Congress Standing Committee, attended yesterday's session which was presided over by Ji Hanxing, vice chairman of the provincial People's Congress Standing Committee.

Mandated by the provincial government, (Liu Chunwei), director of the provincial nationalities affairs commission, delivered a report on nationalities work in our province. (Xu Guangqian), director of the provincial science and technology commission, made a report on invigorating Henan with science and technology. (Weng Shaofeng), chief of the election work committee under the provincial People's Congress Standing Committee, delivered a report on a draft plan for the time for election of people's deputies in Xuchang, Luohe, and Sanmenxia cities. He also explained the matter of electing Comrade Yang Xizong, through by-elections, people's deputy to the National People's Congress [NPC].

Participants also listened to reports presented by relevant working committees under provincial People's Congress Standing Committee on handling bills and proposals presented by people's deputies at the third meeting of the seventh provincial People's Congress. They also listened to reports presented by responsible comrades from the provincial Higher People's Court and provincial People's Procuratorate, on the circumstances of the relevant persons to be removed from their posts or appointed to new posts.

Vice chairmen of the provincial People's Congress Standing Committee, Wu Shaokui, Guo Peiyun, Fan Lian, and Hu Tingji were present at the meeting. Zheng Zengmao, president of the provincial Higher People's Court; (Zhao Yansong), deputy chief procurator of the provincial People's Procuratorate; members of the People's Congress Standing Committees and working committees from cities directly under the provincial government; some NPC deputies; deputies from the provincial People's Congress; and responsible comrades from relevant departments under provincial authorities also attended the meeting as nonvoting delegates.

#### Henan's Hou Zongbin, Others Inspect Local Areas

HK3010151290 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 26 Oct 90

[Excerpts] The Henan Provincial CPC Committee organized responsible comrades of six democratic parties and provincial association of industry and commerce in five groups to inspect industrial and agricultural production, structural reform, family planning, health, education, united front work, and other work in some cities, prefectures, and counties and some grass-roots units from mid-September to mid-October. After the inspections, Hou Zongbin, secretary of provincial party committee, invited the responsible comrades of various participating democratic parties and the association of industry and commerce to a forum. At the forum, the responsible comrades of various democratic parties and association of industry and commerce realistically and fully affirmed the achievements of various areas and pointed out some existing problems. They also offered many good opinions and suggestions. [passage omitted]

Hou Zongbin, secretary of the provincial party committee, listened carefully to their reports. Then he said: The responsible comrades' inspection of various democratic parties and association of industry and commerce is a great motive force for work at the grass roots. The participating comrades have also offered many good opinions and suggestions. This is a great help to the provincial party committee and government's work. To the democratic parties, through the inspection, they have learned more about the grass-roots situation and increased their ability to participate in government and political affairs. In order to participate in government and political affairs, they should not just hold meetings but must also go deep into the grass roots to inspect and participate in concrete work there. This is also an important aspect of participation in government and political affairs. In the future, apart from the People's Congress and the People's Political Consultative Conference, the democratic parties may also organize inspections on two or more occasions every year. This activity is very good. It should be made a system. At the same time, we also hope that the democratic parties and association of industry and commerce can go all out, give full play to their strong points, and investigate some special problems, consult on certain special technologies, or carry out

contracts on some special items, so that they can do their jobs more flexibly and be well united to rejuvenate Henan Province.

#### Southwest Region

##### Yang Rudai Conducts Investigations in County

HK3010043390 Chengdu Sichuan Provincial Service  
in Mandarin 1015 GMT 26 Oct 90

[Text] On the afternoon of 24 October, provincial party Secretary Yang Rudai, deputy party secretary Song Baorui, Vice Mayor of Chengdu (Zhou Xiaoming), and others inspected township and town enterprises, and neighborhood collective enterprises in Shuangliu County. They fully affirmed the sustained and stable development of the enterprises in the county.

Yang Rudai and his party first went to the Shuangliu High-Frequency Welding Pipes Plant to visit its welding and steel rolling workshops. They listened to a report by (Qiu Deyun), an outstanding national peasant entrepreneur, and director of the plant. In recent years, the plant has persisted in deepening reform and continuously manufactured new products. From January to October this year, industrial production output value of the plant reached 85 million yuan, and its sale volume 140 million yuan. Its profits and tax turned over to the state reached more than nine million yuan. Yang Rudai encouraged the plant to continue to make efforts to become a forerunner of township and town enterprise in Sichuan Province.

While inspecting Shuangliu Motorcycle Spare Parts Factory, Yang Rudai learned that spare parts produced by the factory for imported motorcycles sell well in various parts of the country. The demand for its products exceeds supply. He encouraged the factory to do well in establishing lateral links to set up an enterprise group in order to manufacture more motorcycle spare parts and save on foreign exchange for the state.

After that, Yang Rudai and his party inspected the first Sino-foreign joint venture enterprise in Shuangliu County—Chengdu (Enwei) Pharmaceutical Manufacturing Company. This company makes use of Chinese herbal medicine to produce a kind of medicine called (Yierying) which can prevent and cure gynecopathy and dermatosis. At present, the demand for such medicine exceeds supply. The medicine is also exported to Southeast Asia.

##### Yunnan People's Congress Session Ends

HK3010150490 Kunming Yunnan Provincial Service  
in Mandarin 1000 GMT 28 Oct 90

[Excerpt] The 14th meeting of the provincial People's Congress Standing Committee ended in Kunming yesterday afternoon. The plenary session held yesterday afternoon was presided over by Dao Guodong, vice chairman of the provincial People's Congress Standing Committee.

The session adopted a resolution concerning building conservation projects in a deep way. The resolution read: Water conservancy facilities are the basis for stable growth in agricultural production and also an undertaking bringing a profit to the posterity of numerous generations to come. We have achieved great successes in building conservation projects throughout the province, but agricultural development is still retarded by poor quality of cultivated land, a small amount of irrigated farmland, serious soil erosion, poor ability to resist natural disasters, and lack of staying power. Governments at all levels should lose no time in organizing and galvanizing every sector of society into action, work out effective measures in the period between this winter and next spring in line with specific requirements advanced by the provincial government to assign tasks to related units at all levels, exercise supervision, and see to it that every task be fulfilled. It is necessary to organize cadres to go down to the grass-roots units to help them with their work and organize the masses to build conservation projects in a big way.

The meeting also passed the resolution carried by the provincial People's Congress Standing Committee concerning correcting unhealthy tendencies in various trades and building clean and honest government. The resolution ran as follows: According to the arrangements by the party Central Committee, State Council, and provincial party committee, governments at all levels have done a great amount of work to correct unhealthy tendencies and build clean and honest government and have made certain achievements. We must soberly realize that unhealthy tendencies still prevail, and the problem remains acute in some fields or departments. So long as state organs at all levels and leaderships of all trades and departments deepen their understanding, remain conscientious in their work, start the drive by checking themselves, rely upon and arouse the masses to action, make greater effort to correct unhealthy tendencies, and maintain the integrity of party and government departments, we are sure to make greater achievements.

The meeting approved the resolution adopted by the provincial People's Congress Standing Committee on studying the PRC Administrative Procedural Law. The resolution read: Government cadres at all levels throughout the province should heighten their awareness of performing their duties according to the law and do a good job in enforcing the procedural law. Judicial circles at all levels should truly administer their responsibility of hearing administrative procedural cases [xing zhen su song an jian 5887 2398 6083 6075 2714 0115]. Standing committees of the people's congresses at all levels should see to it that the administrative procedural law is enforced in the local administrative regions, and create favorable social conditions for enforcing the law.

The meeting approved the resolution concerning the number of delegates to the Kunming Urban People's Congress and the people's congresses of autonomous prefectures.

The meeting agreed with the list of cadres to be appointed and removed submitted by the provincial Higher People's Court and People's Procuratorate. [passage omitted]

#### **Pu Chaozhu Meets With Asian Games Athletes**

*HK3110065990 Kunming Yunnan Provincial Service  
in Mandarin 1000 GMT 26 Oct 90*

[Text] Yesterday afternoon, leading comrades including Pu Chaozhu, Liu Ronghui, and others, cordially met with our province's athletes, coaches, and referees who had participated in the 11th Asian Games, at Zhenzhuang Guesthouse. At the 11th Asian Games, our province's athletes went all out for the motherland, winning four gold and three bronze medals and breaking four Asian Games records. Their achievements have been the best since our province's athletes began to participate in the Asian Games.

On behalf of the provincial CPC Committee and provincial government, Deputy Provincial Party Secretary Liu Ronghui extended sincere regards and cordial greetings to our province's athletes. He said: We must learn from our Asian Games athletes, carry forward the spirit of the Asian Games, implement the spirit of the CPC Central Committee with our own practical action, and do everything possible to accomplish this year's plans for provincial economy and social development.

In their speeches, our athletes and coaches stated that they would sum up experiences, add to their achievements, and continue to carry forward the spirit of unity, working hard, and selfless devotion, to enhance our province's level of sports.

#### **Yunnan Statistics Bureau on Economic Situation**

*HK3110033090 Kunming Yunnan Provincial Service  
in Mandarin 1000 GMT 26 Oct 90*

[Text] Yesterday the provincial statistics bureau and the provincial press and publication bureau jointly held a news briefing on the provincial economic situation from January to September. According to statistics, our province's economy has gradually recovered after going through a difficult period. It is taking a turn for the better. All this has mainly been manifested in the following:

Agriculture promises a good harvest, and production output of summer grain has reached more than 1.6 million tons, a record high. Production output of oil-bearing crops sown in late autumn has also increased by a big margin over last year. Autumn crops are coming along fine. A record high total grain output for the whole year can be expected. A higher production output of main cash crops than last year can also be expected. Forestry, animal husbandry, and township and town enterprises have also developed considerably. Industrial production has gradually picked up since February. From January to September, the accumulated industrial production output value was over 14 billion yuan, an



increase of 6.9 percent over same period last year. Market sales have risen gradually. Our financial revenues are good, and commodity prices are stable.

In light of the main problems arising in our present economic operations, the relevant departments maintain that in the fourth quarter we must vigorously grasp the following work:

1. Conscientiously implement various measures which have been adopted by the state.
2. Continue to make efforts to enliven the market.
3. Expedite the pace of structural readjustment to further deepen reform, so our province's economy will embark on the path of sustained and stable development at an early date.

### North Region

#### Tan Shaowen Attends Conference on Colleges

SK2910044890 Tianjin City Service in Mandarin  
2300 27 Oct 90

[Text] The three-day Tianjin municipal conference on the party's building of institutions of higher learning ended on the morning of 27 October. Tan Shaowen, secretary of the municipal party committee, attended the conference and gave an important speech.

He said: As [words indistinct] and the ideological and political work have been deepened, the party organizations of all institutions of higher learning have overcome difficulties, eliminated interferences, and striven to successfully carry out their work. Party and administrative leaders at all levels of the municipal institutions of higher learning and the broad masses of cadres engaged in party building work have worked silently at their posts, played their required role during crucial moments, and made great contributions to conducting ideological and political work in institutions of higher learning.

Comrade Tan Shaowen, regarding how to successfully carry out party building work in institutions of higher learning, noted: Only by realistically strengthening the party's grass-roots organizational work in institutions of higher learning and fully displaying the role of grass-roots organizations as a political core and the role of party branches as the fighting bastions, can we more successfully implement the party's line, principles, and policies; unceasingly strengthen the party's cohesion and fighting strength; and fully boost the enthusiasm of the broad masses of teachers in imparting knowledge and educating people.

Tan Shaowen stressed: In the party's work of building institutions of higher learning, it is necessary to stress ideological and political work, persist in integrating theory with practice, and systematically and deeply conduct education on Marxist basic theory, the party's basic line, and the party's basic policies among party members of institutions of higher learning, and strengthen their training on party spirit.

Party members of institutions of higher learning should uphold the educational socialist orientation and attach primary importance to nurturing successors for the socialist cause. It is necessary to educate party members to strengthen their sense of steadfastness, enhance their enthusiasm in displaying the role of party members, conduct all forms of activities for them, and create conditions for them to display their vanguard and exemplary role.

Municipal leaders present at the conference on 27 October were Wang Xudong, Lu Huansheng, and Yang Hui.

#### Attends Workers' Congress

SK3110051090 Tianjin City Service in Mandarin  
2300 GMT 30 Oct 90

[Text] The second municipal congress of self-employed workers opened on the morning of 30 October. Three hundred and sixty-eight representatives of self-employed workers attended the congress. Municipal leading comrades, including Tan Shaowen, Nie Bichu, Wu Zhen, Shi Jian, Li Changxing, and He Guomo attended the congress. (Yang Chengyun), deputy director of the individual and private economy department of the State Administration for Industry and Commerce, and relevant leading comrades of the municipal trade union, the municipal Communist Youth League [CYL], the municipal women's federation, and the municipal federation of industry and commerce attended the congress to extend their congratulations.

Nie Bichu, deputy secretary of the municipal party committee and municipal major, addressed the opening ceremony. He said: Over the past few years, we have upheld the principle of making public ownership predominant while developing various economic sectors. The individual economy has been rapidly and soundly developed. At present, the municipality has more than 110,000 self-employed industrial and commercial units, with nearly 200,000 people working. The individual economy has made positive contributions to developing social production, invigorating the market, adding convenience to peoples' lives, increasing employment, promoting social stability, and increasing state financial revenues. The broad masses of self-employed workers in the municipality, under the leadership of the party and government, have worked honestly, carried out their business legally, rendered civilized service, and played an active role in invigorating the economy, activating the market, and adding convenience to peoples' lives. Among them, a number of model workers and advanced self-employed workers have emerged.

Nie Bichu noted: Judging from the municipal situation, though the individual economy has developed to a certain extent, the development, instead of being enough, is still very inadequate compared to social demands. Instead of restricting its development, we should continue to encourage and support its sound development. The individual economy has plenty of scope for the development of tertiary industries. The

party and government will not change the policies concerning the individual economy. It is hoped that the broad masses of self-employed workers will exert new efforts to develop the individual economy. The party committees and governments at all levels across the municipality should conscientiously implement the relevant state policies on the development of the individual economy and adopt positive measures for further consolidating and developing the individual economy in the municipality. Nie Bichu also called on the broad masses of self-employed workers to strive to improve their own quality, enhance their understanding of the legal system, do their business in a civilized manner, render good service, and serve as socialist self-employed workers of a new type who carry out business legally.

(Hao Shengde), president of the municipal society of self-employed workers, gave a report on the work of the first board of directors at the congress.

#### **Tianjin City Exports Up 9.3 Percent**

*OW3010141190 Beijing XINHUA in English  
1253 GMT 30 Oct 90*

[Text] Tianjin, October 30 (XINHUA)—Tianjin, a leading port city in north China, exported 1.38 billion U.S. dollars worth of goods by October 20 this year, a 9.3 percent increase over the same period of last year.

Traditional items of farm produce and native products kept rising momentum while the exports of manufactured goods such as leather shoes, automobile and medical instruments increased considerably.

The city gives priority to manufactured industrial and marketable products and machinery and electric products in export in the wake of a readjustment of product-mix earlier this year.

Meanwhile, the Tianjin Municipal Foreign Trade Department attached great importance to quality of exported products and faithfully kept to contracts. As a result, no foreign customers claimed indemnity so far.

#### **Northwest Region**

##### **Gansu's Li Ziqi Visits Earthquake-Stricken Area**

*HK3010094490 Lanzhou Gansu Provincial Service  
in Mandarin 2300 GMT 24 Oct 90*

[Excerpts] (Xinpu) Township in Gulang County was the epicenter of the earthquake which occurred on 20 October. The shaking of the earth, which lasted less than 10 seconds, brought more than 3,000 peasant households, consisting of more than 6,000 peasants, a very grave calamity.

On 22 October, provincial party Secretary Li Ziqi, Wuwei prefectural party Secretary (Zhou Binglin), and other leaders went to (Gaoling) Village of (Xinpu) Township, which was most severely affected by the earthquake. In the village, 252 peasant households lived on

the plain and dry hillside. The earthquake in the poor village meant that troubles never came singly. All the houses and pigsties collapsed. More than 1,400 people in the village became homeless, and there were no sheds for big and small farm animals.

Snow was falling heavily, and the sky turned pale. Li Ziqi braved wind and snow, walked on a muddy mountain path, and passed by collapsed walls. He first came to a makeshift plastic shed of a maimed peasant called (Wang Xinchun). Bending his back, Li asked him: Were you injured? Is it cold to live inside the shed? Wang replied: I was not injured. It is not too cold to live inside. Li Ziqi thought that it was unsuitable for old people and children to live inside a plastic shed in snowy weather. He turned to prefectural CPC Committee leaders, and said: The top priority task of providing disaster relief now is to solve the problem of providing the masses with lodging and food. The masses must have places to keep out the wind and cold. Winter will come soon, and the settlement of the problem must be speeded up. [passage omitted]

Li Ziqi visited one household after another. When he saw collapsed or cracked classrooms in (Gaoling) Primary School, he immediately asked the school principal: Were any students or teachers injured? The principal said no. But 24 classrooms have collapsed, and the students have no place to attend class. Eight teachers have no place to live. Seeing all this, Li Ziqi told the prefectural and county leading comrades: The problem of enabling students to attend class must be solved early on. Their study must not be affected.

The snow was falling increasingly thick and fast, and the weather was getting increasingly cold. The masses brought an umbrella to Li Ziqi, but he refused to use it. He was still walking on the muddy and slippery hillside, and never stopped asking questions. [passage omitted]

He came to the front of a house of a peasant called (Wang Quanshu), who was very seriously affected by the earthquake. With tears in his eyes, the 82-year-old peasant firmly grasped the hands of Li Ziqi. With a shivering voice, he said: Thank provincial leaders for visiting us. Taking Wang's hand firmly, Li told several hundred people in the village: Do not be afraid of the present calamity. Although you have suffered from calamity, the party and government will definitely help you overcome difficulties to tide over the crisis. I hope that you will arouse your enthusiasm, and carry forward the tradition of self-reliance and struggling hard to build a still better homeland with the help of the party and government. [passage omitted]

##### **Attends Construction Knowledge Contest**

*HK3110130790 Lanzhou Gansu Provincial Service  
in Mandarin 2300 GMT 29 Oct 90*

[Excerpts] At 1500 on the afternoon of 28 October, a township-organized two-appraisal and grass-roots construction knowledge contest was declared open in a

poorly equipped conference room in Huaxian Township of Jiuquan City. [passage omitted]

Provincial party committee Secretary Li Ziqi, provincial Governor Jia Zhijie, and provincial party committee Standing Committee member Han Zhenqing, who were attending the provincial conference on rural work and village-level organization building in Jiuquan, zestfully rushed to watch the contest upon hearing about it. [passage omitted]

Li Ziqi, Jia Zhijie, and Han Zhenqing gladly accepted the invitation to confer awards on the winners: Township Enterprise delegation, Linying delegation, and Huaxian Village delegation.

#### **Gansu Holds Social Order Maintenance Meeting**

HK3110084790 Lanzhou Gansu Provincial Service  
in Mandarin 2300 GMT 29 Oct 90

[Text] This station's reporter (Dai Chunchun) learned from the provincial report meeting on banning drugs, severely cracking down on crimes, and comprehensively harnessing social order, which began yesterday, that in the first nine months of this year, political and legal affairs departments at all levels across the province followed the guiding ideology of safeguarding and maintaining overall stability, severely and rapidly cracking down on serious criminal activities in accordance with the law, and achieving remarkable results in this respect.

This year, in view of the deteriorating social order, various areas across the province have carried out a struggle aimed at severely cracking down on crimes with stress on banning drugs. As a result, more than 10,000 criminal cases have been cracked; more than 13,000 criminals of all types have been investigated and rounded up; some criminal groups that once ran wild in both urban and rural areas, and were thereby bitterly hated by the masses, have been smashed; and a batch of criminals who had gone scot-free have been recaptured. The broad masses of the people clapped and cheered upon these achievements.

Nevertheless, the number of criminal cases, mainly larceny, has shown an obvious increase. This directly threatens the interests of the masses and has become a glaring problem that seriously jeopardizes social order. In view of this situation, political and legal affairs departments at all levels must continue to follow the basic line of integrating professional organs with the mass line; grasp the main contradictions and the key work points; mainly concentrate efforts on safeguarding social order in key areas; continue to severely and rapidly punish, in accordance with the law and for a time in the future, criminals who seriously undermine the social order; and make unswerving efforts to strengthen the struggle of banning drugs. Moreover, efforts must also be made to severely crack down on internal larceny cases and regard this as an important ingredient of the overall struggle aimed at severely cracking down on

crime. It is also necessary to launch a general mopping-up campaign against such activities as producing and peddling pornography as well as gambling activities in order to eliminate all factors capable of breeding and giving rise to crimes.

Yan Haiwang, deputy secretary of the provincial party committee and secretary of the provincial political and legal affairs commission; Wang Jintang, provincial vice governor and deputy secretary of the provincial political and legal affairs commission; and Qin Bing, president of the provincial Higher People's Court; attended yesterday morning's meeting.

#### **Xinjiang Congress Standing Committee Plenum Held**

OW3110083890 Urumqi Xinjiang Television Network  
in Mandarin 1400 GMT 30 Oct 90

[From the "Xinjiang News" program]

[Text] The 17th session of the Seventh Xinjiang Autonomous Regional People's Congress Standing Committee held a plenary meeting this morning, which was presided over by Vice Chairman Mayenur Hasumu. (Liu Zonghao), chairman of the autonomous regional planning commission, delivered a report on the implementation of Xinjiang's 1990 economic and social development plan on behalf of the autonomous regional people's government.

He said in the report: Xinjiang has achieved good results in agricultural and animal husbandry production this year, while its industrial production has begun to pick up gradually. The total social demand in Xinjiang has been brought under control and effective supply has increased, resulting in a remarkable improvement in the market order and in a sharp decrease in the commodity price index. The people have been reassured and society is stable.

He noted in the report: In the next two months, we should continue to do a good job in agricultural and animal husbandry production, step up farming preparations and the building of farmland improvement and water conservancy projects in the winter, and do all we can to process and store sufficient forage grass and other animal feeds to ensure them safety of the livestock during the winter-spring period. We should promote sales of locally produced industrial products, open up the rural market further, and gradually improve the sluggish market sales. We should mobilize the forces in all quarters to create more jobs for jobseekers and ensure social stability.

On behalf of the autonomous regional people's government, (Gong Jinniu), deputy director of the autonomous regional finance department, made a report on some recommended changes in the Xinjiang Uygur Autonomous Region's 1990 budget, and on the execution of the budget in the first nine months of this year. (Rehefu Abas), director of the autonomous regional public health



department, delivered a report on the implementation of the Food Sanitation Law in Xinjiang.

Several written reports were circulated among the Standing Committee members. They included a report by the autonomous regional public health department on the implementation of the Law on Prevention and Control of Epidemic Diseases and the Drug Management Law, an explanation by the chairmanship meeting of the autonomous regional People's Congress Standing Committee on setting up an administrative body of the autonomous regional People's Congress Standing Committee, and a report by the credentials committee of the seventh autonomous regional People's Congress Standing Committee on the examination of the qualifications of some deputies newly elected in by-elections to the seventh autonomous regional People's Congress. [Video shows closeups of each speaker, and pan and medium shots of some conferees]

#### **Intellectuals' Role in Modernization Praised**

*OW3110083490 Urumqi Xinjiang Television Network  
in Mandarin 1400 GMT 30 Oct 90*

[From the "Xinjiang News" program]

[Text] [Video shows medium shots of Tomur Dawamat sitting on a rostrum speaking, and wide shots of an audience of approximately 400 people seated in a hall] Tomur Dawamat, deputy secretary of Xinjiang Autonomous Regional CPC Committee and chairman of the autonomous region, delivered an important speech at an autonomous regional work meeting on intellectuals held yesterday. His speech was entitled: Seriously Sum Up Experience and Adopt Effective Measures To Further Improve Xinjiang Region's Work for Intellectuals.

The main items on the agenda of the meeting held by the autonomous regional party committee were studying and discussing the central leading comrades' speeches and the instructions of the CPC Central Committee on further improving the work for intellectuals, summing

up working experience, and studying and discussing how Xinjiang Region's work for intellectuals should be improved further.

Tomur Dawamat said in his speech: In the last four decades, the party committees and governments at various levels in Xinjiang have adopted a number of measures to seriously implement the party's policies concerning intellectuals, made tremendous efforts to encourage society to respect knowledge and talented people, and achieved remarkable success in this regard. The intellectuals of various nationalities in Xinjiang, with the sincere purpose of building Xinjiang and wholeheartedly serving the people, have been working hard without letting criticism upset them, and have made remarkable contributions to the construction in Xinjiang.

Tomur Dawamat said: Xinjiang needed intellectuals of all nationalities in the past, and it will need intellectuals even more in the future. Intellectuals of all nationalities are irreplaceable in the course of Xinjiang's modernization, reform, and opening to the outside world. To unite the intellectuals of all nationalities under the banner of socialism and patriotism and make them share weal and woe with workers and peasants is of great significance to Xinjiang's economic and social development.

Tomur Dawamat pointed out: The greatest aspiration of the broad masses of intellectuals is to work for the motherland's prosperity and national revitalization. Their greatest demand is that their work be recognized and respected by society. We improve the work for intellectuals in order to give full play to the important role of intellectuals of all nationalities in Xinjiang's modernization, reform, and opening to the outside world.

He urged all localities and departments to strive to improve the working and living conditions of intellectuals in an active and responsible way, create the necessary conditions for intellectuals to integrate theory with practice and to integrate themselves with workers and peasants, provide conveniences to intellectuals, improve Xinjiang's work for intellectuals, and make greater contributions to Xinjiang's development and construction.

**'Rambling Talk' Examines Taiwan Independence**

OW3010200790 Beijing in Mandarin to Taiwan  
0205 GMT 30 Oct 90

[By (Lin Guang)—from the "Rambling Talk on Current Events" program]

[Text] Dear listeners: At the 7 October second plenary session of its fourth congress, Taiwan's biggest opposition party, the Democratic Progressive Party [DPP], adopted a so-called resolution alleging that Taiwan's de facto sovereignty does not cover mainland China. The resolution also reaffirms the principle of self-determination prescribed in the party platform and the 17 April resolution passed at the second party congress in 1988, alleging that the sovereignty of Taiwan is independent from the People's Republic of China. In addition, legislators and national assemblymen who are members of that party were urged to help realize the resolution by taking advantage of their positions. Such an open flaunting of the flag of Taiwan's independence has evoked a great disturbance both on the island and beyond. It also has aroused deep concern among compatriots on the mainland.

As everyone knows, the New Tide Faction, one of the two major groups within the DPP, has stood consistently for Taiwan's independence. Before the elections of the three categories of Taiwan's public service personnel were held at the end of last year, some members of the New Tide Faction formed a new national alliance. This alliance used the issue of Taiwan's independence as its campaign platform and openly advocated the creation of a new country with a new constitution. Now the DPP has adopted the resolution on Taiwan's de facto sovereignty. This indicates that the bigwigs of that party have lifted the veil and bared their true stance of advocating Taiwan's independence.

According to Taiwan's newspapers, Yao Jiawen [Yao Chia-wen], a member of the New Tide Faction and former DPP chairman, took the initiative in putting forward in late September a proposal unequivocally advocating Taiwan's independence, and alleging that the sovereignty of Taiwan does not cover mainland China. Chairman Huang Xijie [Huang Hsin-chieh] and other DPP leaders signed the proposal as co-initiators. Even though some minor changes were made in the wording of this proposal under pressure from various circles, including from some DPP members, its true feature of advocating Taiwan's independence cannot be covered up. Yao Jiawen has unreservedly proclaimed that the purpose of the proposal is to show conspicuously the fact that the relationship between the two sides of the Strait is that of two countries and two governments. Some backbone elements of the New Tide Faction also have said that this is an integral part of the Taiwan independence theory. A leader of the DPP has admitted that, even after its revision, the proposal retains its original spirit, which he said is a highly sophisticated trick applied to politics.

Immediately after the DPP served up the resolution on Taiwan's de facto sovereignty, the Taiwan Independence

and National Construction Alliance and other Taiwan independence organizations overseas applauded it. Xu Shikai [Hsu Shih-kai], president of the Headquarters of the Taiwan Independence and National Construction Alliance, issued a statement on 9 October, saying the DPP resolution exploded the fictitious nature of one China and represented a big leap forward in the Taiwan independence movement. He also proclaimed that this also was the goal on the basis of which his organization was established some 20 years ago. For this reason, he added, his organization will give all-out support to this DPP resolution and is willing to make concerted efforts with the latter to achieve this goal.

After embarking on the dangerous path of Taiwan independence, the DPP has been opposed by public opinion and the people in general on the island. Many Taiwan newspapers have published commentaries denouncing the DPP stand. According to public opinion polls conducted by Taiwan's Research Foundation for Development Between the Two Sides of the Strait, following the announcement by the DPP of the resolution on Taiwan's de facto sovereignty, nearly 65 percent of the people expressed objection to Taiwan independence and the proposition that Taiwan's sovereignty does not cover the mainland, whereas only 15 percent expressed support for independence. A Taiwan University scholar pointed out that Taiwan's political situation would deteriorate and become tense with the passage of the DPP resolution. (Lin Zhongjie) [(Lin Chung-chieh)], a DPP member, believed that the independence of Taiwan's sovereignty is a deliberate step by the New Tide Faction to turn the party into a Taiwan independence party.

By taking advantage of the DPP's passage of the resolution on Taiwan's de facto sovereignty, intra-island Taiwan independence activities have stirred up new upheavals and shown an intention to collaborate with overseas Taiwan independence forces to add fuel to the fire. This deserves acute alertness on the part of political leaders on both sides of the Strait, as well as by all those who are concerned about the future of the Chinese nation and the well-being of the 20 million people on Taiwan. We noticed that Li Denghui [Li Teng-hui], addressing the National Unification Council on the very day the DPP passed its resolution, said that the idea of Taiwan's independence cannot work. Hao Pocun [Hao Po-tsun], premier of the Executive Yuan, also has emphasized time and again that organizations and individuals engaged in Taiwan independence activities should be punished according to the law. We hope that these statements by the Taiwan authorities will not be just lip service.

It is to be regretted that the DPP has openly flaunted the flag of Taiwan's independence. If those in the DPP do not stop their course at the last moment, but continue what they are doing, it will be extremely dangerous for them and they will find themselves at an impasse. China's peaceful reunification is an irresistible trend of historical development, which no force whatsoever can obstruct. If those in the DPP refuse to change their course and to reexamine their words and deeds, and if they continue to act against the will of compatriots on both sides of the Strait, they ultimately will be cast aside by history.

**Mainland Protests Moscow Mayor's Taiwan Visit**

OW3110141890 Taipei International Service  
in English 0200 GMT 31 Oct 90

[Text] In Peking, Communist China issued a low-key protest on Monday over a trip by the Mayor of Moscow to Taiwan. A Mainland Foreign Ministry spokesman said in a statement that they are firmly opposed to any development of relations or exchanges of an official nature between Taiwan and countries having diplomatic relations with China. The Moscow Mayor, Popov, said that his visit would not affect Moscow's ties with Peking because it was a private visit.

**2 USSR Scientists To Attend Conference in Taiwan**

OW3110091190 Taipei CNA in English  
1540 GMT 30 Oct 90

[Text] Taipei, Oct. 30 (CNA)—Two Soviet physicists have accepted invitations to attend an international conference in the Republic of China sponsored by academia sinica's institute of mathematics, officials said Tuesday.

The national science council (NSC) officials said the Soviet Union is very advanced in such basic sciences as physics, chemistry, electro-optics, machinery and aerospace.

In order to promote international academic exchanges, they said the NSC does not exclude the possibility of sponsoring exchanges with scholars from communist countries.

**Chien Views Tiaoyutai, Japanese Troops Abroad**

OW3110082390 Taipei Domestic Service  
in Mandarin 2300 GMT 29 Oct 90

[From the "National Hookup" program]

[Text] Foreign Affairs Minister Fredrick Chien made a

public statement on the Tiaoyutai incident yesterday [29 October]. He said: Following the aborted attempt by the vessel transporting the torch to reach the Tiaoyutai Islands on 21 October, the Japanese authorities have indicated to us that they did not handle the case properly. Minister Chien added: The Chinese-Japanese Interchange Association did not give approval to the vessel to sail around the Tiaoyutai archipelago. However, because of the association's status, I cannot give a direct answer as to whether it could be seen as official approval from Japan.

Yesterday, Minister Chien also stated publicly for the first time: The government will firmly oppose any Japanese decision to deploy troops to the Middle East and will condemn any attempt to revive Japan's militarism.

**Defense Minister on Fighter Plane Development**

OW3010204090 Taipei International Service  
in English 0200 GMT 30 Oct 90

[Text] The National Defense Minister, Chen Li-an, said on Monday in his first regular report in the parliament, that in order to better prevent air raids, the ROC [Republic of China] will concentrate on researching and further developing the IDF [indigenous defense fighter] warrior plane and also on improving the air raid warning system.

Minister Chen also said that the National Defense Ministry would execute the selective military personnel strategy, and also begin the early retirement plan for the Air Force and the Navy officers. In explaining the national defense policy, the minister stated that the goals are as follows: Concentrating on elevating the servicemen's dignity, increasing the public identification of the mission for the servicemen, increasing the communication gap between the servicemen and the civilians, building a selective military force, and establishing a modern military force.



## Hong Kong

### PRC Rules Out Direct Elections in 1995

HK3010012790 Hong Kong HONGKONG STANDARD  
in English 30 Oct 90 p 1

[Text] China has ruled out the possibility of increasing the pace of democratic reform in Hong Kong in the run-up to 1997, the chairman of the Central and Western District Board said yesterday.

Ambrose Lau, speaking on his return from a trip to China, quoted the Deputy Director of the Hong Kong and Macao Affairs Office, Li Hou, as ruling out more direct elections in 1995.

Mr Lau was in China as part of a district board delegation which visited Beijing and Guangdong.

The British government has repeatedly said it would call on China to increase the pace of democratic reform if the 1991 elections are successful.

"Mr Li said the number of directly elected seats in the first legislative body has been set out in the basic Law," Mr Lau said.

"It would involve amendments to the Basic Law which only the future Special Administrative Region (SAR) government can decide," he said.

The SAR government will be in place after the handover in 1997.

When the British Foreign Office Minister with Special Responsibility for Hong Kong, Lord Caithness, visited the territory last month, he reiterated that if the 1991 direct elections to Legco [Legislative Council] were "successful" Britain would ask China to increase the number of directly-elected seats beyond the 20 in 1995.

A spokesman for the British Foreign Office said yesterday that there had been no change in the stance, which had earlier been supported by Lord Caithness' predecessor, Francis Maude, and Foreign Secretary Douglas Hurd.

Mr Lau said that during the trip his group met senior security officials of Guangdong province and were assured that China would tighten controls at its second fence in Shenzhen to stem the flow of guns into Hong Kong.

Mr Lau said Guangdong officials told them that there had also been an increase in the use of firearms in the province.

He said officials told the delegation that gun-running was also a problem in Guangzhou.

The delegation was told the guns came from three sources: from Vietnam via Guangxi, stolen from the government or were from illegal arms factories.

Officials told the delegation that authorities in Hainan Island had recently uncovered a factory that manufactured guns.

The Guangdong officials said every means was being taken to tighten borders checks to stem the flow of guns.

The Hong Kong delegation was told that one of these steps was to tighten controls at checkpoints along the Shenzhen Special Economic Zone.

### PRC Officials Reject Meeting With Councillors

HK3110023990 Hong Kong SOUTH CHINA  
MORNING POST in English 31 Oct 90 p 3

[By Chris Yeung]

[Text] A group of visiting Chinese legal officials has snubbed an invitation to meet Legislative Councillors today because the mainland still does not recognise the official status of the Hong Kong legislature.

A government official confirmed yesterday that they had suggested a tea reception between Legco [Legislative Council] members and the delegation from the Chinese State Council's Bureau of Legislative Affairs.

But the five-member Chinese team rejected the offer, he said.

The visitors, however will "observe" the assembly's weekly sitting from the public gallery this afternoon as planned.

The team headed by the bureau's Deputy-General Director, Mr Huang Shuhai is on a three-day reciprocal visit after a Hong Kong Legal Department delegation visited the State Council earlier this year.

Although a programme of official exchanges has been agreed between China and Hong Kong as a way of boosting mutual understanding, Beijing insists any visits by the mainland cadres to Legco should not be seen as a recognition of its status.

A local deputy of the Chinese National People's Congress, lawyer Miss Liu Yiu-chu, supported the decision not to attend the tea reception.

"They do not recognise the lawmaking process of the body. China does not recognise the status of Legco," she said.

But the move is seen as a snub to Senior Legislative Councillor, Mr Allen Lee Peng-fei, who has asked China to introduce direct dialogue with Omelco. [Office of Members of the Executive and Legislative Councils]

In his opening address to Legco's annual policy debate last Wednesday, Mr Lee said Sino-Hong Kong political ties should be increased in the run-up to 1997.

However, Miss Liu said: "The principle has to be clearly spelled out to avoid misunderstanding. Some people are strongly advocating that China recognise the status of Omelco. There should be no illusion on that."

"Chinese officials will still visit Legco as a building. Just like the Po Leung Kuk building or the Star Ferry Pier."

Miss Liu said she agreed that Legco was part of the consultative machinery under the Hong Kong Government.

"We recognise the status of the Governor and the function of Legco, but we do not recognise that Legco as representative of the public," she said.

**Shenzhen Water Crisis Not To Affect Hong Kong**  
*HK3010012990 Hong Kong HONGKONG STANDARD in English 30 Oct 90 p 6*

[By Lana Wong in Shenzhen]

[Text] Shenzhen authorities are to work out detailed measures to deal with the water crisis but pledged they were committed to the water supply agreement with Hong Kong.

Zen Jinxin, manager of the Shenzhen Water Works, told the HONGKONG STANDARD yesterday that the depth of the crisis would not be clear until early next month.

The authorities would then take action to solve the shortage, he said.

Shenzhen has been hard hit by a severe drought, said to be the most serious in 40 years. There were water reserves for only two months, Mr Zen said.

A two-month annual check on the water pipes from Dongjiang to Shenzhen would start next week, worsening the problem.

Mr Zen said the checkup would exacerbate the water shortage in the special economic zone [SEZ] but would not affect water supplies to Hong Kong.

However, as stipulated in the agreement between Hong Kong and Guangdong, the supply of Dongjiang water to Hong Kong would be temporarily halted.

Mr Zen said the shortage had not affected daily life in the SEZ and supplies to businesses and city residents were at the normal level.

The Shenzhen authorities have not decided to bring in water rationing and I think the government would have to be very careful before making the decision," he said.

For the moment they have lowered the water pressure, except during meal times.

Mr Zen said the authorities had urged people to save water to ensure there was enough during the next two months.

He denied that the water level in lakes and reservoirs had dropped to their lowest level in history.

"The situation is not as serious as claimed by some newspapers," he said.

A spokesman for the Dongjiang-Shenzhen water works said the supply to the city had been reduced.

The supply would be further reduced from 450,000 cubic metres to 300,000 cubic metres a day, starting from Thursday, and would stay at that level until the annual check-up was completed in December.

It was estimated that Shenzhen consumes 500,000 cubic metres of water a day, leaving a 200,000 cubic metres shortfall.

The economy would definitely be affected by the reduction, the spokesman said.

The demand for water in Shenzhen has grown substantially in the last few years due to rapid development and population growth.

**Investment in Mainland Revives**

*OW3110090490 Beijing XINHUA in English 1315 GMT 30 Oct 90*

[Text] Hong Kong, October 30 (XINHUA)—Hong Kong's industrial investment in the Chinese mainland has shown signs of a rebound since the second quarter of this year, according to the latest issue of the HANG SENG economic monthly.

The monthly carried an article entitled "Revival of Hong Kong's Investment in China" which says that after a lull that lasted for almost a year, Hong Kong manufacturing investors are slowly returning to China and the flow of local investment has picked up since the second quarter of this year.

The article quotes Chinese official figures showing that the value of agreed investment in newly formed "foreign-invested" enterprises in the mainland increased by 70 percent in the second quarter over the first.

The trend continued throughout July and August, bringing the cumulative total for the first eight months of this year to 3.6 billion U.S. dollars, about the same level as last year.

The figures show that for the second quarter, 0.92 billion U.S. dollars worth of investment was pledged by Hong Kong investors, up from 0.57 billion U.S. dollars in the first.

Hong Kong also remained the single largest overseas investor in the mainland, accounting for 68 percent and 63 percent respectively of the total number of projects approved and of the value of investment pledged for the first half of the year.

The article notes that the fading impact of the June 4 incident and the continuation of China's Most Favored Nation status in the United States are factors leading to this rebound.

It says that although investment value has so far only climbed back to levels reached during the same period (the first eight months of) last year, the swift recovery demonstrates China's edge over other Asian countries as an offshore production site for Hong Kong.

As China maintains its "open door" economic policy and focuses on infrastructure development in its next five-year economic plan, its investment environment should continue to improve which would further enhance the prospect for increased flow of Hong Kong industrial investment into the mainland, the article says.

It also predicts that in the years ahead, Hong Kong manufacturers would have to continue to expand their production outside Hong Kong as a result of its limited land and labor supply.

Provided China maintains its open-door economic policy and in view of its growing links with Hong Kong, most of these expansions are likely to take place in the country, the article adds.

In this regard, the latest Pudong development in Shanghai is particularly timely in that it offers investors an additional choice of location, the article notes.

#### **Hainan-Hong Kong Economic Seminar Opens**

OW3110122990 Beijing XINHUA in English  
0806 GMT 31 Oct 90

[Text] Haikou, October 31 (XINHUA)—A seminar on economic relations between south China's Hainan Province and the regions of Hong Kong and Macao opened Tuesday in Haikou, capital of Hainan.

More than 80 economists from China's mainland, Hong Kong and Macao will discuss economic relations between Hainan and Hong Kong for the 1990s. Issues of individual responsibility and cooperation within the Asian-Pacific economic zone will also be addressed by the economists.

The seminar is of great significance to the development of the three regions since Hainan has become one of the most attractive places of investment for Hong Kong in recent years, and the majority of Hainan's import and export deals were handled through Hong Kong, said a participant.

Statistics show that of the total overseas-funded enterprises built in Hainan, 70 percent came from Hong Kong. Most are processing industries and trade services.



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